

**U.S. Department of State**

**U.S. Arms Control and Disarmament Agency**

**United States Information Agency,**

**including the Broadcasting Board of Governors**



# **Office of Inspector General**

**Semiannual Report to the Congress**

**April 1 to September 30, 1997**

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## Summary of OIG Accomplishments

### Financial Results:

Questioned Costs with Management Decision	\$5,636,937
Recommendations for Funds Put To Better Use	\$701,000
Investigative Recoveries	\$191,274

### Investigative Results:

Cases Opened	67
Cases Closed	98
Judicial Actions	76
Administrative Actions	43
Hotline and Complaint Activity	132

### Reports Issued:

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Security and Intelligence Oversight Reviews	23
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# Executive Summary

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**T**he last six months have seen an increasing emphasis throughout government on strategic planning as a means to achieving measurable results. OIG has always been and continues to be committed to achieving measurable results in the foreign affairs community. In response to the Government Performance and Results Act, we renewed our commitment by reevaluating our strategic goals and objectives and developing a performance plan that represents the expected outcomes of our mandate to evaluate implementation of foreign policy; promote economy, efficiency, and effectiveness of operations; and prevent and detect waste, fraud, and abuse. It is a living document designed to be responsive to the needs of our client agencies and the Congress.

These goals—improved implementation of U.S. foreign policy; better alignment of fiscal and human resources with U.S. foreign policy priorities; more effective, efficient, and secure operations and infrastructures; and greater adherence to fundamental principles governing professional and ethical conduct—provide the framework to ensure that OIG’s activities and reviews focus on the value-added outcomes that we expect to achieve in our work as we move into the 21st century.

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## Improved implementation of U.S. foreign policy

Military and security issues are a key element of foreign policy implementation at U.S. missions in the Middle East and the nations of the former Yugoslav Republic, where recent conflicts have resulted in a large U.S. military presence.

U.S.-Qatari policy is in transition as Qatar becomes the largest U.S. military readiness point outside the continental United States. Embassy Doha faces the challenge of managing this fast evolving relationship, in which the U.S. military presence is a driving force, while U.S. companies are being called on to help Qatar capitalize on its huge natural gas reserves. Embassy Abu Dhabi was

commended for its clear articulation of U.S. goals and support for U.S. commercial interests. The importance of expanded U.S. military cooperation with the United Arab Emirates is reflected in the embassy’s mission program plan and the amount of personal attention that the ambassador devotes to this issue. Defense issues also play a key role at Embassy Seoul, Korea, where the importance of the U.S. presence is recognized in the close and effective relationship between the mission and the military command, U.S. Forces Korea.

Embassies Zagreb, Belgrade, and Skopje were cited by OIG as noteworthy for their superior policy leadership and excellent political reporting, though management controls and administrative services were problematic at these posts (see below). Embassy Mexico was

recognized for exceptionally strong leadership in the policy area. However, more attention to coordinating the work of the consulates is needed in all sections of the embassy, particularly the consular and political/economic functions.

U.S. Information Service (USIS) public diplomacy efforts, in general, have been well-integrated into mission policy objectives. The public affairs officer at USIS Croatia is fully involved in public affairs strategy development. In Kosovo, Serbia-Montenegro, the USIS office acts as a sentinel to bring the region’s extremist violence to international attention. Local concerns over Voice of America’s Albanian-language broadcasts in the Former Yugoslav Republic of Macedonia resulted in an OIG recommendation to cease these broadcasts unless they are also transmitted in the minority Macedonian language.

USIS Jordan was cited by OIG as being “a model on how best to support U.S. policy objectives.” USIS activities are closely aligned with those of Embassy Amman, and are directly linked as subcategories of mission goals in the mission program plan. In Saudi Arabia, USIS has effectively supported mission objectives, although much of the emphasis has been on information activities and student counseling. Given the stringent social and cultural environment in Riyadh, however, OIG recommended that these resources could be better used in Jeddah’s more open environment.

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## Better alignment of fiscal and human resources with U.S. foreign policy priorities

At a number of posts, inadequate resources and facilities challenged the posts' ability to carry out operations in support of U.S. foreign policy priorities. In Qatar, the mission requires additional staff to meet its growing responsibilities, while the chancery has insufficient space even for existing staff. Consular operations are impeded by inadequate workspace and staffing, resulting in delays and backlogs.

In Korea, the short-staffed consular section is overwhelmed by the 750,000 nonimmigrant visa applications it receives each year, despite bold innovations by consular managers. Mission policy is focused on production to the detriment of management controls and resource needs. Consulate Pusan was judged by OIG as "not cost effective or likely to become so." OIG found that the resources devoted to maintaining the consulate could be better used at the embassy and recommended that the post be closed no later than

mid-1998. By contrast, OIG found that the 10 consular agents in Mexico were providing valuable services to American residents and visitors at relatively low cost.

Although USIA has ranked USIS Oman as one of its lowest priorities for resource allocation, State Department officials consider a USIS presence a requirement for supporting U.S. strategic interests in the country. Embassy Muscat was cited as an example to other missions for the efforts of the ambassador and public affairs officer to ensure that the objectives of the mission program plan and USIS

### International Cooperative Administrative Support Services (ICASS)

During this semiannual period, OIG encountered several best practices for implementing specific elements of the ICASS program. These practices worked well at the posts OIG visited and are sound interpretations of Department and interagency guidance; however, there are other alternatives for handling these areas, and posts should use the methods that work best in their environment.

#### *Transfer of Assets to ICASS*

The Department's instructions for transferring assets from the Foreign Affairs Administrative Support (FAAS) program to ICASS stated that "...posts must transfer all current FAAS property to ICASS in October 1996." At some posts, property has moved around over the years, resulting in program property in newly designated ICASS sections and FAAS property in program sections. Embassy Stockholm resolved this problem by transferring all property in newly designated ICASS locations to ICASS, regardless of which funds originally purchased the property.

#### *Modified Rates for Services*

Some agencies elect to participate in ICASS at less than the full level because they may not need all of the services. Post councils may agree to allow agencies to participate in ICASS at modified rates. Embassy Nairobi devised an interesting method for determining modified rates. Instead of trying to define a level of service based on guessing the time and effort expended, the embassy defined the types of service that an agency would receive for a lower rate. For example, if an agency elected a lower level of service, it would

receive personnel services for awards and announcements, but it would not receive staffing patterns, time and attendance, or counseling.

After reviewing Embassy Nairobi's methods, Embassy Canberra determined that the basic package in the ICASS software could be divided so that certain activities would be provided at modified levels. Modifying rates for the basic package had been an ongoing problem for Embassy Canberra because many of the other agencies' personnel were not officially presented to the host country and were physically remote from the chancery and consulates. Under these circumstances, it is appropriate for the post council to consider modified rates for the basic package.

#### *Weighting Workload Distributions for Procurement Documents*

Embassy Canberra also devised a good method to weight procurement documents for determining workload distributions. Prior to implementing its new method, procurement transactions such as petty cash, purchase orders, and contract transactions were each counted as one document. Since these transactions did not take the same amount of time to process, many agencies were concerned about the workload factor. The working group at the post decided to weight procurement transactions so that petty cash equaled 3 documents, purchase orders under \$25,000 equaled 5 documents, contracts equaled 20 documents, and so forth. OIG found weighting to be an effective way to determine workload factors for procurement transactions.

country plan coincide. In Kuwait, the overwhelming time and effort dedicated to military matters has impeded USIS efforts to support other public diplomacy objectives. USIS Kuwait has worked, with some success, to widen its scope of activities. In Korea, USIS support for U.S. objectives was well-focused, and public diplomacy activities undertaken by USIS Korea were found to be a vital part of embassy planning and policy implementation.

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## **More effective, efficient, and secure operations and infrastructures**

At overseas posts, inspections have focused on the success with which the Department is implementing the ICASS system, intended to share equably the cost of administrative services and infrastructures that are provided by the Department in support of agencies at post.

At Embassies Zagreb, Belgrade, and Skopje, the system was found to be working well, although adjustments may be required as costs are negotiated. Experience at posts in the Middle East has been mixed. At Embassy Muscat, ICASS was installed without interagency conflicts and with the full involvement of the public affairs officer. ICASS implementation at Embassy Abu Dhabi has been stressful, in part because of the dominant presence of the U.S. military. In Qatar, ICASS has been instituted, but largely as a unilateral administrative section project rather than as a product of interagency coopera-

tion. Embassy Kuwait also has yet to achieve full interagency trust and cooperation. At Embassy Amman, by contrast, smooth implementation of ICASS was cited as an example of the positive effect of good interagency relationships.

At the U.S. Mission to the North Atlantic Treaty Organization (USNATO), OIG recommended that the post implement ICASS and adhere to Foreign Affairs Manual regulations to address weaknesses in administrative support and financial operations that have developed over many years. These concerns were also reflected in a report by the Defense Department Office of Inspector General, which found weaknesses in management controls of Defense Department operations at USNATO. By setting standards for administrative operations, ICASS is expected to have a positive effect on services at Embassy Mexico.

A value engineering program instituted by the Department has produced more than \$38 million in savings from its inception in 1986 to 1995. However, value engineering policies and procedures required by the Office of Management and Budget (OMB) were not fully implemented and savings and expenditures reported to OMB were not accurate. OIG recommended improvements to further increase the Department's savings and improve the accuracy of reporting. The congressionally mandated machine-readable visa (MRV) program has improved visa security, although the impact of the program on entry of illegal aliens is difficult to quantify. Significant progress and improvements have been made since OIG's

1993 audit of the MRV program, but some problems still remain, ranging from failure to electronically authenticate MRVs at ports of entry to staffing shortages, unclear guidance, and lax oversight of equipment and supplies.

A classified local area network (C-LAN) pilot project initiated by the Bureau of Near Eastern Affairs (NEA) was intended to serve as a model for other bureaus' domestic C-LANs. Failure to use a life-cycle management process to guide the project resulted in expenditures of \$70,000 for hardware that later needed to be replaced and \$86,000 for software that was not used. Because the results of the NEA effort were never documented, the Department prematurely provided \$1.4 million to another bureau, which paid \$220,000 for hardware that had to be stored in a warehouse for more than a year while the bureau awaited configuration documentation from the NEA project.

Several OIG reviews were undertaken in response to legislative requirements to assess Department compliance with law and regulation. OIG's periodic review of the U.S. Mission to the United Nations (USUN) housing program found that USUN and the Bureau of International Organization Affairs (IO) had generally fulfilled their responsibilities in accordance with regulations governing the program. However, established procedures regarding employee contributions had not been followed, resulting in unpaid and potentially owed contributions amounting to \$108,548. A legislatively required OIG review of the State Department's export control program found that the screening



process for granting export licenses to applicants on the export licensing watchlist was working as intended. OIG recommended improving coordination between the Department's Office of Defense Trade Controls and the U.S. Arms Control and Disarmament Agency and increasing training for officials that oversee the Blue Lantern watchlist program.

On financial issues, an audit of the Department's FY 1996 consolidated financial statement highlighted the inadequacy of the internal controls structure of the Department's financial and accounting systems, as well as its noncompliance with laws and regulations. By contrast, OIG issued an unqualified opinion on the Foreign Service Retirement and Disability Fund's FY 1996 financial statements, covering assets of \$8.5 billion. Despite continuous corrective actions, OIG found that previously reported weaknesses still exist in the Department's monitoring and liquidation of travel advances, although full implementation of the Department's new Simplified Travel Initiative is expected to substantially reduce the number and amount of outstanding advances. Shortcomings were also found in the completeness and accuracy of the Department's Real Estate Management System, with only 13 percent of transactions reviewed being supported by adequate documentation. As a result, the system is unsuitable for identifying real property values for the Department's financial systems. During its review of the International Organization for Migration (IOM), OIG found that the Department's Bureau of Population, Refugees, and Migration was not

providing adequate oversight and monitoring of IOM, which receives U.S. contributions totalling nearly \$46 million. Financial problems seriously threaten IOM's functioning as an international program, and IOM has had problems in implementing its cost accounting system.

An OIG review of USIA grantee compliance with Office of Management and Budget Circular A-133 for grants awarded during FY 1993-94 found that 26 percent of grantees had not submitted required audit reports on grants totalling about \$10.3 million. Under the revised circular USIA screening and monitoring of grantees will become more critical because about 87 percent of the grantees will not be subject to A-133 audits. OIG recommended that USIA maintain a complete, up-to-date database of open grants to provide adequate data to monitor USIA grantees and Federal funds.

In accordance with the International Broadcasting Act of 1994, OIG conducted a broad planning survey of international broadcasting operations, which identified major accomplishments of the Voice of America (VOA), Radio Free Europe/Radio Liberty, Radio Free Africa, and USIA's Office of Engineering, International Broadcasting Bureau (IBB). The survey found an estimated \$400 million in savings from these accomplishments from 1994 to 1997. It also identified areas for additional consolidation, streamlining, and other efficiencies, which will be reflected in future OIG work. In Kuwait, OIG found the VOA radio relay station to be a well-run technical facility, with some problems in

personnel, security, and administrative support from the embassy, which are being addressed.

A survey of ACDA monitoring of contractor performance found that ACDA's contracting personnel had effectively managed and monitored the contracts reviewed and that, with minor exceptions, ACDA received the goods and services it purchased under the contracts. ACDA officials and contracting personnel have taken corrective action on the minor deficiencies identified by OIG.

OIG security inspection teams evaluated security at posts in Asia, Europe, and South America and reviewed chief of mission oversight of intelligence activities at 12 overseas missions. Because of their sensitive nature, the details of these reviews are reported in OIG's classified semiannual report annex.

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## **Greater adherence to fundamental principles governing professional and ethical conduct**

This strategic goal is a primary focus of OIG efforts, both through investigations of potential violations of U.S. law and government regulations and through dissemination of information to address systemic weaknesses identified in the course of OIG investigations.

An undercover operation conducted jointly with the Immigration and Naturalization Service identified a translation center in New York's Chinatown that may have filed more than 1,200 false political asylum applications since

1993, with unreported income from the scheme estimated to be in excess of \$1 million. In addition, several OIG investigations identified efforts to procure U.S. passports by fraudulent means. One of these investigations was assisted by the OIG of the Social Security Administration, which notified OIG that a false birth certificate might have been used to obtain a U.S. passport; and by the Federal Bureau of Investigation, which advised OIG of the suspect's known association with narcotics traffickers.

A State Department disbursing officer was indicted on 19 counts of misuse of public funds following OIG investigation of an embezzlement that involved at least \$193,800 in unauthorized electronic funds transfers to five privately held bank accounts. The Federal Bureau of Investigation is jointly investigating the narcotics portion of the case, in which the officer admitted to using the majority of the embezzled funds to purchase crack cocaine. A joint investigation with the OIG of the Environmental Protection Agency (EPA) found that a contractor erroneously received, from both the State Department and EPA, nearly \$205,000 in payments intended for the contractor's assignee. Despite notification of the error, the contractor knowingly retained the funds. Following acceptance of the case for civil prosecution, the contractor filed for Chapter 11 bankruptcy, and the contractor's trustee was ordered to settle with the U.S. Government for \$100,000.

A USIA contractor acknowledged submitting fraudulent claims from 1988 through 1992 and agreed

to pay \$80,000 in restitution. Negotiations continue regarding approximately \$374,000 in questioned, unsupported, and disallowed audit costs, as well as costs incurred by the contractor in complying with OIG administrative subpoenas.

A VOA employee, who was found to have submitted bills for \$24,820 in personal telephone calls, agreed to pay \$26,300 in restitution.

Cases involving employee misconduct during this reporting period included improper influence by a senior official in promoting a program operated privately by his spouse, violation of prohibited personnel practices by an officer who intercepted correspondence intended for OIG, and improper advances toward subordinates and improper conduct by an ambassador.

OIG also promotes adherence to principles of ethical conduct through preparation and dissemination of information and recommendations addressing potential systemic weaknesses. OIG's Office of Investigations provides such information to bureaus and posts through Management Implication Reports (MIRs), which are issued when a systemic weakness is identified in a bureau-specific program or operation, and Fraud Alert Bulletins, which are issued when an investigation identifies a systemic weakness that could have an impact on all bureaus and overseas posts. These publications identify the problem, provide background information such as details of the specific problem or examples of related investigations, and offer recommendations for corrective action.

During this period, OIG issued MIRs and recommended corrective actions to address systemic weaknesses in management procedures for medical issues affecting security clearances, internal management controls for handling employee background investigative files, controls on access to information used in preparation of procurement solicitations, and activities that could create the appearance of a conflict of interest by Department physicians. An MIR was forwarded to USIA to address the lack of a procedure for employees to certify personal and official telephone calls, resulting in the agency's inability to collect funds for personal telephone calls made on government telephones. In response to an investigation of improper contracting in USIA's International Broadcasting Bureau, Worldnet Television, OIG issued an MIR on the need to reeducate contracting employees on the prohibition against contracting for personal services. In response, Worldnet instituted new contracting policies to preclude the awarding of personal services contracts.

Based on an investigation of embezzlement of U.S. Government funds through a scheme involving commercial airline discounts, OIG also issued a fraud alert bulletin advising posts worldwide of the possibility of such a scheme for posts using the airline in question. The bulletin identified indicators in the airline's billing procedures that posts should watch for when making payments for household goods shipments.



# Congressional Activities

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## IG Testimony

**O**n June 24, 1997, the Inspector General testified before the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform and Oversight concerning investigative practices of Inspectors General and the roles and responsibilities of the OIG. Also testifying were Inspectors General from the Department of Justice, the Department of Defense, the Office of Personnel Management and the Chair of the Integrity Committee of the President's Council on Integrity and Efficiency.

On July 17, 1997, the Inspector General testified before the House International Relations Committee. The hearing highlighted the OIG strategic plan and the work of the OIG pursuant to that plan in providing oversight of programs and activities of the Department of State, USIA, including international broadcasting, and ACDA.

During the reporting period, OIG reviewed numerous legislative proposals, giving particular attention to areas that relate to OIG work and areas that would impact future operations and oversight of the office. The office reviewed:

- the Department of State authorization for FYs 1998 and 1999 (H.R. 1253, H.R. 1486, S. 903, and H.R. 1757),
- Department of State appropriations legislation for FY 1998 (H.R. 2267 and S. 1022),
- foreign operations appropriations legislation for FY 1998 (H.R. 1759, H.R. 2159 and S. 955), and
- legislation to authorize appropriations for FY 1998 for intelligence activities and programs (H.R. 1775 and S. 858).

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# Audits

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**O**IG audit work this reporting period included reviews of the monitoring and oversight of contributions to the International Organization for Migration, implementation of the United Nations (USUN) housing program, status of the machine-readable visa program, use of export controls and the watchlist screening process, the Department's financial statements, accounting for overseas real property, development of a classified local area network, and use of value engineering.

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## International Organization for Migration (97-CI-010)

OIG auditors reviewed IOM to assess whether the Bureau of Population, Refugees, and Migration (PRM) was providing adequate monitoring and oversight of the U.S. Government's annual contributions to the organization. The United States is the largest single donor country to IOM, contributing almost \$46 million towards its activities in 1996. PRM is required to review and evaluate IOM activities to ensure the appropriate and effective use of U.S. funding. Contributions include an annual assessment required for membership in IOM and additional contributions to pay for U.S. projects and for unearmarked voluntary funds. The OIG review disclosed weaknesses in PRM's oversight of IOM and in the organization itself. Specifically, OIG found (1) insufficient oversight and monitoring of IOM; (2) financial problems seriously threatening IOM's functioning as an international organization; (3) implementation problems with IOM's cost accounting system; and (4) a need to revise IOM's role and priorities.

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## Machine-Readable Visa Program (97-CI-011)

The MRV program is one part of the Department's border security program, implemented as a result of a congressional mandate in the Anti-Drug Abuse Act of 1988. After a pilot test at Embassy Santo Domingo in 1989, the Bureau of Consular Affairs (CA) installed the MRV, with automated name check capability, at every visa-issuing post around the world. While it is difficult to measure the

exact impact the MRV program has had on the entry of illegal aliens using nonimmigrant visas, most will agree that the MRV is a far more secure process than the previous Burroughs visa process. Since OIG's audit of the MRV program in 1993, CA has made significant progress and improvements; however, some problems still remain. OIG found that the MRV is not electronically authenticated at ports of entry, and the name check system used at some posts fails to identify individuals ineligible to

enter the United States. In addition, oversight of equipment and supplies continues to be lax and guidance is unclear. Also, because CA does not control the staffing resources for managing and using the MRV at overseas consular posts, there are staffing shortages at some posts where nonimmigrant visa workload has increased by as much as 25 percent. OIG made recommendations to CA to correct these deficiencies.

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## USUN Housing Program (97-CI-013)

OIG reviewed the USUN housing program to assess compliance with authorizing legislation. The purpose of the housing program is to compensate for the high cost of housing in New York City and ensure that well qualified Foreign Service officers will apply for positions at the USUN. The housing program provides leased living quarters for up to 25 employees. The Department paid \$984,000 in rental benefits in FY 1996, including \$322,000 for the U.S. Representative. Except for the U.S. Representative and Deputy Representative, the cost of the lease is fully taxable and participants are required to contribute 20 percent of their base salary towards their rent for payment into the housing program's appropriation account. Participants can offset the required 20 percent contribution by the amount of any Federal, State, and

local income tax paid on the added rental benefits. USUN, IO, and the Bureau of Finance and Management Policy (FMP) manage the program.

OIG's review disclosed that while IO and USUN generally fulfilled their responsibilities in accordance with the regulations, established procedures regarding employee contributions had not been followed. As a result, some former and present USUN employees had not paid their required contribution to the program. At the conclusion of the field work, OIG identified \$33,593 owed and an additional \$74,955 potentially owed (a total of \$108,548). OIG recommended that housing program participants pay their required contribution on a pay-as-you-go basis through bi-weekly payroll deductions. Also, OIG recommended seeking lower cost suitable housing for the U.S. Representative.

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## **Review of Department of State Export Controls and Watchlist Process (97-CI-018)**

Pursuant to the requirement in the National Defense Authorization Act, Section 1324(b), OIG reviewed the Department of State's export controls program for U.S. Munitions List items licensed under the Arms Export Control Act. The Blue Lantern program, created in September 1990, provides end-use checks on munitions transactions licensed by the Department. Since 1991, the Department has maintained an automated watchlist of suspicious organizations and indi-

## **Foreign Service Retirement and Disability Fund Financial Statements for Fiscal Year 1996 (97-FM-012)**

The Chief Financial Officers Act of 1990 requires OIG to audit the financial statements for the Foreign Service Retirement and Disability Fund (FSRDF) to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement and to determine whether FSRDF has an internal control structure that provides reasonable assurance of achieving internal controls objectives, and whether FSRDF has complied with applicable laws and regulations. The FSRDF is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 1996, FSRDF reported assets of \$8.5 billion and an actuarial unfunded liability of \$700 million.

OIG issued an unqualified opinion on the FSRDF financial statements for FY 1996. The report identifies one instance of noncompliance with laws and regulations, related to debt collection, which was cited in last year's audit but was not fully corrected. This issue did not affect the audit opinion on the FSRDF statements.

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viduals to use in the review of license applications. In 1996 the Department processed about 46,000 export license applications, of which about 3,400 involved parties in the watchlist database. Overseas, the Department carried out 88 end-use checks for parties on the watchlist.

The screening process used in granting an export license when an applicant is on the export licensing watchlist was operating as intended to flag applications containing watchlist parties for further review prior to approval. Also, the watchlist contained relevant information and parties as required by statute and regulation. However, the Office of Defense Trade Controls, Bureau of Politico-Military Affairs (PM/DTC), can improve watchlist automated systems operations by using a software application that more

effectively screens and matches applicant parties to watchlist names. Better coordination is needed between PM/DTC and ACDA concerning the watchlist and the license application process. More training is needed for designated officials overseas on the Blue Lantern program. OIG recommended that PM/DTC use a fuzzy logic application or comparable matching application software program and provide ACDA with watchlist concerns of applicant parties; that ACDA update the guidelines for referral of license applications to ACDA, provide information to PM/DTC routinely that would cause entry to the watchlist system, and reduce license application review time; and that the Foreign Service Institute (M/FSI), coordinating with PM/DTC, strengthen current Blue Lantern training.

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## **Management of Travel Advances (97-FM-015)**

OIG engaged an independent certified public accountant firm to review the Department of State's management of travel advances. The monitoring and liquidation of travel advances has been identified as an internal controls weakness since 1986 and was reported by the Department as a material weakness under the Federal Manager's Financial Integrity Act (FMFIA) at least since 1992. Although the Department has been continuously correcting material weaknesses relating to monitoring and liquidation of travel advances, the OIG review showed that previously reported weaknesses still exist and should remain as material weaknesses under the FMFIA. Subsequent to issuance of this report, and because of actions taken since the audit fieldwork, OIG has agreed that accounting for travel advances may be removed as a material weakness from the FY 1997 FMFIA report.

During the review, the Department was in the process of implementing the Simplified Travel Initiative, which will reduce travel advances through the use of charge cards and will prohibit advances to contractors. Full implementation of this program and OIG's recommendations, such as continued efforts to collect and validate the old outstanding advances and receivables, should substantially reduce the number and amount of outstanding travel advances.

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## **Department of State's Consolidated Statement of Financial Position for FY 1996 (97-FM-017)**

The Government Management Reform Act required, beginning with FY 1996, that OIG audit agencywide financial statements and submit its report to the head of the agency. As is customary during a first year audit, OIG expressed an opinion only on the Consolidated Statement of Financial Position (commonly known as the balance sheet). OIG issued a qualified opinion because it was unable to validate the \$1.4 billion reported as undelivered orders (obligations established for products or services ordered that have not yet been delivered and paid for) due to the unavailability of sufficient documentation domestically. Otherwise, the statement was free of material misstatement. The audit report also brings to management's attention the inadequacy of the Department's financial and accounting system as both a condition in relation to the internal controls structure and as an instance of noncompliance with laws and regulations.

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## **Domestic Classified Local Area Network Pilot Project (97-IM-019)**

OIG reviewed NEA's C-LAN pilot project from initial planning stages to full operational capability. OIG performed the review in response to a request from NEA, who was concerned that the Department had not taken a coordinated approach to developing and implementing the pilot C-LAN project. OIG found that the Department did not follow a life cycle management process to guide the pilot project. For example, neither NEA nor the Office of Information Management identified system requirements or conducted adequate technical research before purchasing computer hardware and software. As a result, \$70,000 of hardware purchased for the C-LAN was later replaced, and software costing \$86,000 was not used. OIG also found that the pilot project did not meet its objective to serve as a model for other bureaus'

domestic C-LANs and that the results of the effort were never documented. Consequently, the Department prematurely provided \$1.4 million for the Bureau of Inter-American Affairs (ARA) to begin its own C-LAN project, prior to formally assessing the pilot. ARA spent approximately \$220,000 for hardware that was stored in a warehouse for more than a year awaiting configuration documentation from the NEA C-LAN project. OIG recommended that the Chief Information Officer issue a policy requiring the use of a structured life cycle management process for all technology projects and that the Deputy Assistant Secretary for Information Management produce system configuration documentation that can be used as a standard for domestic C-LANs.

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## **Financial Accounting for Overseas Real Property (97-PP-008)**

This audit was conducted to determine whether the Real Estate Management System (REMS), the Department's real property inventory system, could serve as the financial management subsidiary system for real property to ensure accurate reporting in the Department's financial statements. In recent congressional testimony, the Department stated that the Office of Foreign Buildings Operations (A/FBO) manages about 3,000 government-owned, long-term leased, and restricted use (99-year lease) properties with an acquisition value of over \$10 billion. By contrast, the Department's FY 1994 balance sheet shows real property valued at about \$7.1 billion. Neither REMS nor its supporting property files contain complete and accurate data on real property values. As a result, REMS is not suitable for identifying real property values for the Department's financial statements. In addition, the Department's primary financial system, the Central Financial Management System (CFMS), which is managed by FMP, lacks a fully functional general ledger and cannot provide A/FBO with useful financial information on investment in real property.

Both posts and A/FBO personnel can enter information into REMS. Information entered into REMS was incorrect in 48 (15 percent) of the 315 transactions reviewed, and the property files supporting the REMS information often did not contain documentation to support the acquisition value of the property. Of the transactions reviewed, only 42 (13 percent) were adequately supported by documentation. OIG recommended that (1) A/FBO and FMP take the necessary steps to decide what actions can best remedy the shortcomings in accounting for real estate in the real property and financial management systems and undertake the necessary efforts to implement those actions, (2) A/FBO correct the errors identified in the property system, (3) A/FBO instruct posts to verify the accuracy of the information in REMS, and (4) A/FBO remind post officials to take the necessary actions to review property files and request that the appropriate post submit any missing required documents.

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## **Need for a Departmentwide Contract to Provide Defense Base Act Insurance (97-PP-016)**

This report was prepared in response to a Department request. During a 1991 audit of this area, OIG recommended that the Department use a requirements contract for obtaining Defense Base Act (DBA) insurance coverage because significant savings could be achieved, and the Department implemented OIG's recommendations. Subsequently, the cost of DBA insurance increased substantially, and the Department asked OIG to determine if a requirements contract was still the most economical means to obtain such insurance. OIG found that the increased costs were due to increased claims filed by the Department's contractors. Based on the current review, OIG found no compelling reason to discontinue this approach. Apart from the Department's request, OIG found that the contracting officer had not monitored contractors' claims histories to determine whether trends exist and whether corrective actions were needed to reduce claims. OIG recommended that the Office of Acquisitions review contractors' claims histories during the preaward process and consider including contractors' claims histories as part of the proposal evaluation process.

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## Contracts Subject to the Service Contract Act (97-PP-014)

The McNamara-O'Hara Service Contract Act of 1965 (SCA) sets standards for minimum pay and safety and health protection of employees working for contractors and subcontractors on service contracts with the Federal Government. The Department entered into SCA contracts with 71 contractors from FY 1989 through FY 1994. These contracts amounted to about \$414 million. The survey noted deficiencies in several areas in the Department's administration of SCA contracts. In particular, deficiencies in invoice review and approval contributed to the Department making overpayments to eight of the nine contractors reviewed.

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## Audit of Value Engineering (97-PP-020)

This report was conducted at the request of the Procurement Executive. The Department implemented a successful value engineering program in 1986 that has produced over \$38 million in savings through FY 1995. Value engineering is an analysis technique for reducing costs, increasing productivity, and improving quality through change proposals from contractors and proposals generated from value engineering studies. Although the Department has recognized significant savings through the program, improvements would increase the Department's potential to achieve even higher savings. The Department had not fully implemented policies and procedures required by Office of Management and Budget Circular A-131, "Value Engineering." Studies were not completed and waivers of the value engineering requirement were not obtained for 13 of the 14 construction contracts valued at over \$1 million, which were awarded in FY 1995. If the Department had (1) conducted value engineering studies on these contracts, excluding any that could justify a waiver, and (2) included required value engineering clauses in supply and services contracts awarded for over \$100,000, it would have realized additional savings. Also, value engineering savings and expenditures reported to OMB for FY 1995 were not accurate. This report contains recommendations aimed at increasing the use of value engineering to achieve greater savings and improving the accuracy of reporting on the value engineering program.

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# Inspections

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**R**eports were issued this period on the results of inspections of Department of State and USIS operations in 12 countries and one followup review.

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## INSPECTIONS

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**Embassy Zagreb, Croatia (ISP/I-97-24) • USIS, Croatia (ISP/I-97-23) • Embassy Belgrade, F.R.Y. (Serbia-Montenegro) and Constituent Posts\* (ISP/I-97-26) • USIS Belgrade, F.R.Y. (Serbia-Montenegro) and Branch Posts\* (ISP/I-97-25) • Embassy Skopje, Former Yugoslav Republic of Macedonia, and U.S. Information Service Skopje\* (ISP/I-97-27)**

*\*(F.R.Y. stands for the "Federal Republic of Yugoslavia," an entity held by the U.S. Government to have expired provisionally with the de facto dissolution of the Yugoslav State. The U.S. Government utilizes F.R.Y., in its initial form only.)*

Embassies Zagreb, Belgrade, and Skopje are noteworthy because of their superior policy leadership and excellent political reporting. The missions are honest in presenting their policy viewpoints and firm in engaging their host governments.

The ambassador at Zagreb has led his mission in taking on a major role in bringing about peace, ethnic tolerance, and the beginnings of democracy in Croatia. Public diplomacy and engagement of all sections and agencies in the mission have supported the ambassador's more publicized policy efforts. Other issues, such as security of facilities and management controls, have tended to drift. These matters are being addressed.

U.S. policy toward Serbia-Montenegro has fluctuated widely over recent years. The mission is headed by a chief of mission, not an ambassador, who is not even formally accredited to the government in Belgrade. Embassy Belgrade has performed with distinction, effectiveness, and high morale in a difficult environment. Again, however, management controls in procurement, cashing, general services, and consular affairs need attention. The mission program plan (MPP) is a thin document, not of great use in planning in the harsh, fluid, and sensitive political climate of Serbia.

U.S. political and military support for Macedonia is vital to its stability and independence, and the 2-year-old Embassy Skopje is fulfilling its policy role exceptionally well. Political reporting is timely, insightful, and candid, but the economic dimension is missing due to a simple lack of resources. OIG has recommended the addition of an economic/political officer position. The high morale of American and Macedonian employees, and the cooperative relationship between the two groups, was noteworthy. Inevitably, management controls and administrative problems are there, but these are being tackled by new management.

Consular operations at all three embassies are well conducted, despite difficult circumstances. It is encouraging to find that the new ICASS system is working well in each mission, albeit with certain adjustments still to be made with experience and negotiation of costs.

USIS posts and employees are making valuable contributions to overall policy goals in these three countries, while facing severe political and administrative turbulence in the changing Balkan environment. The USIS branch office in Kosovo, Serbia-Montenegro, serves as an international sentinel to ensure that extremist violence will not go unnoticed. Voice of America (VOA) broadcasts in the Albanian language, in

Macedonia, have aroused local concerns because they have not been matched with Macedonian language broadcasting. This unintended but apparent bias toward the Albanian minority in Macedonia has led OIG to recommend cessation of the Albanian broadcasts if they cannot be paralleled in Macedonian.

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### **Embassy Riyadh, Saudi Arabia, and Constituent Posts (ISP/I-97-29) • USIS Saudi Arabia (ISP/I-97-28)**

Linked by economic and security interests deemed vital by both countries, the United States and Saudi Arabia manage a mutually beneficial relationship that is complicated on the American side by incompatible long and short-term policies, such as the short-term tactical military imperatives and the major U.S. force deployment in the country vs. the political and social impact of their presence on Saudi Arabia's longer-term political stability and economic and military security. Notwithstanding the ever-present dangers of terrorism, the embassy performs its diverse tasks well. Morale is high, interagency coordination is good, and administrative operations are well managed. The substantial U.S. military presence derives from the importance of Saudi Arabia to U.S. security interests, but it generates tactical imperatives such as force protection that hinder the development of broader strategic objectives.

Consular operations in the embassy and at constituent posts are well managed and effective. The operations are housed in good facilities in Riyadh and Dhahran, but in the aftermath of the June 1996 bombing of a U.S. facility, the consular operation at Jeddah was moved to very inadequate temporary space and is awaiting eventual construction of new, and safer, quarters.

Management necessarily gives priority to mission security, but delivers efficient and highly praised administrative services in all areas.

The imperatives of immediate-term American policy objectives have caused the information side of USIS activities to dominate in a post that is equipped for a classic panorama of programs. In spite of these problems, added to USIS' own budget reductions in recent years, the public affairs officer and his staff have done well in supporting the mission's objectives. The stringent social and cultural environment of Riyadh suggests that better use might be made of USIS resources if moved to Jeddah, which is a more open environment. OIG has recommended reprogramming of a Riyadh position to Jeddah.

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### **Embassy Muscat, Oman (ISP/I-97-33) • USIS Oman (ISP/I-97-30)**

U.S.-Oman bilateral issues are assuming greater importance to U.S. policy in the Persian Gulf. Oman shares U.S. objectives in maintaining regional peace and stability and is a moderate Arab voice in the Middle East peace process. The U.S. military presence in Oman and the issues it encompasses play a major role in U.S.-Oman relations. Embassy Muscat's effective oversight, close cooperation and coordination between U.S. military units, and frequent visits of ranking U.S. military officials keep political/military issues operating smoothly. At times, as with the Middle East peace process, embassy efforts to sustain Omani engagement have been thwarted by lack of guidance from the Department despite direct embassy requests for such guidance, and lack of confirmation of coordinated interagency policy, especially on political/military issues.

While the focus of the mission must be on the political/military relationship, the ambassador has ensured an active embassy program in support of U.S. business, advancing U.S. trade and investment in Oman and encouraging Omani moves toward privatization and strengthened private sector ties.

The consular section, with one American part-time officer and two Omani staff, has been hard pressed to stay abreast of even its modest workload. The embassy was urged to ensure that other

duties did not deprive the officer of sufficient time to perform needed consular work. With some part-time help to support the consular officer, and certain adjustments suggested by OIG, the consular overload problem should be corrected.

The administrative section is highly regarded by post management and all mission elements for service orientation and efficiency. Current administrative staffing and budget allocations are adequate, and the ICASS system is in place with no interagency conflicts.

The U.S. Information Agency has assigned USIS Oman to its lowest ranking priority category for resource allocation, but Department of State officials maintain that accepted U.S. strategic interests in Oman require an active USIS presence. The public affairs officer works closely with the ambassador, and the two have made the mission program plan and USIS' country plan coincide on mission objectives. The two documents thus might serve as examples for other missions. A proposed relocation of USIS offices from the chancery to a vacant resi-

dence appears neither economical-ly feasible nor programmatically desirable at this time.

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### **Embassy Doha, Qatar, and the U.S. Informa- tion Service Qatar (ISP/I-97-34)**

Qatar has entered a phase of dramatically improved relations with the United States as the Government of Qatar embraces closer strategic ties to the United States as its ultimate regional protector. U.S. policy also is in transition as the bilateral relationship expands to the point of establishing in Qatar the largest U.S. military "readiness" point outside the continental United States. The military already overshadows all other U.S. agencies in size alone, and is the main driving force in bilateral policy with Qatar. At the same time, Qatar is turning toward American companies to capitalize on its massive natural gas reserves. Managing this fast-evolving relationship is the major challenge facing Embassy Doha leadership.

Complicating the policy formulation process is the growing array of U.S. military offices and units, some under ambassadorial authority and others in the military chain of command. The process works, thanks to good cooperation and coordination by all elements. More than half the ambassador's time and attention is devoted to military issues. The assignment of a deputy chief of mission with neither the rank nor experience to relieve the ambassador of many tasks, or to provide the forceful management needed by the mission, has led OIG to recommend reclassification of the position to a higher rank and experience level.

The mission needs additional personnel, including a security officer and a reporting officer. The chancery lacks sufficient space for all of its present staff, much less for those who would fill these and additional positions which the Department and other agencies are considering establishing. The Department has determined that the need for additional space, and improvements in certain physical security conditions, can not be met with a new building for which the Department does not have funds. A lengthy alternative process is under way to determine whether a move into an existing, more secure structure, should be authorized.

The outstanding feature of consular operations is the glaring inadequacy of work space and staffing. Despite this, the staff provides a full range of consular services, albeit with delays and

#### **Combination of Defense Attaché and Military Assistance Functions**

At Embassy Amman, a single military officer serves as both Defense attaché and chief of the military assistance program, providing the mission with a ranking U.S. military representative knowledgeable in all aspects of the U.S. security relationship with Jordan. This arrangement has eliminated traditional questions about seniority between officers carrying out the attaché and military assistance functions, while providing the attaché/military assistance chief with exceptional access to Jordanian military authorities.



backlogs due to the overcrowding of the offices and understaffing. Solutions to these consular problems can be met only through resolution of the overall problem of finding an alternative chancery building.

The embassy relies heavily on regional support for American administrative services, and this support has been good. The overall security program, managed by the administrative officer, is exceptional. The ICASS system has been instituted, but largely as a unilateral embassy administrative section project rather than a product of interagency cooperation and collegial coordination.

USIS Qatar is well integrated into the mission's country team, and USIS programming focuses on the mission's objectives. A principal task is coordination of public affairs policy and implementation with the U.S. military in the country and with the Qatari defense authorities. USIS has a very good working relationship with the local press and broadcast media and the Qatar News Agency. Although the mission's allotment of International Visitor grants has been reduced to only four, the program has been extremely useful in meeting mission goals. USIS has been active in cultural pro-

grams, and counseling of students interested in studying in the United States is a major activity. There are some weaknesses in administration and in management controls, including unannounced cash verifications and accountability and inventory of USIS nonexpendable property. This appears to be due in large part to staff shortages, and assistance has been provided by both USIA and the embassy to alleviate the inventory problem.

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### **Embassy Amman, Jordan (ISP/I-97-31) • USIS Jordan (ISP/I-97-35)**

Jordan is central to the search for peace in the Middle East, and thus vital to U.S. interests. American policy is anchored on support for the regional peace process, the promotion in Jordan of democratization, economic reform and privatization, regional economic cooperation, the combating of international terrorism, and the isolation of Iraq. The ambassador exercises strong oversight of a strikingly unified and competent country team, and has had exceptional success in developing the essential close collaboration with the King of Jordan.

A number of activities in Embassy Amman earned OIG's "best practices" designation, and reflect the ambassador's clear sense of policy and management priorities as well as the extraordinary degree of cooperation among elements of the mission. The extended vacancy in the position of deputy chief of mission is a serious concern, which has resulted in such problems as lowered morale, less effective junior officer supervision, and poorer overall management. The responsibility for the long vacancy lies largely with the Department.

Consular operations are well managed, the section provides excellent service to American citizens, and it copes efficiently with a pressing visa workload. Administrative services are generally very good, and the arrival of an effective and energetic administrative officer in July 1996 has improved most areas greatly. Here too, however, vacancies in American administrative positions, deficiencies in some administrative areas, and some difficult aspects of the local environment have adversely affected morale.

The USIS Jordan approach to public diplomacy is a model on how best to support U.S. policy objectives. An example is the direct linking of USIS activities as subcategories of mission goals in the mission program plan. While security interests continue to dominate the bilateral relationship, new public emphasis is being given to the peace process and to the economic benefits of regional cooperation. USIS officers have excellent contacts, and have mastered the military, commercial,

#### **Relocation of Arabic Language Training**

Embassy Amman and the Foreign Service Institute have instituted long-term Arabic language training in Amman, instead of in Tunis, for officers selected for positions at Embassy Amman. The advantages are striking: officers and their families are not moved twice, spouses can find work more easily, and officers are far more productive at the outset of their assignments.

and economic assistance agendas so as to provide public diplomacy support. USIS administrative operations are generally excellent.

Embassy Amman provides another example of the positive effects of good interagency relationships on the implementation of the new administrative support system, ICASS.

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### **Embassy Abu Dhabi, United Arab Emirates, and Constituent Post, and USIS U.A.E. (ISP/I-97-36)**

The ambassador, an acknowledged expert on the region, has defined and articulated U.S. goals clearly, and has devoted much time to support of U.S. commercial interests. The mission program plan reflects the importance of expanded U.S. military cooperation with the United Arab Emirates and the resulting requirement for implementation of a Defense Cooperation Agreement between the two countries. High priority and effective support are given to promotion of U.S. trade and business interests, Iraq sanctions, Iranian threats, and arms sales. Embassy relations with the sizable U.S. military contingent in the U.A.E. are vital and time consuming, and require more of the ambassador's personal attention. Consulate General Dubai's reporting on Iran is noteworthy.

Operational demands on the reporting sections are exacerbated by the separation of the political and economic sections, a shortage

of officers, and a lack of support staff. The sections should be combined and an officer added. USIS has a highly motivated, productive staff under a public affairs officer whose accomplishments since his arrival in August 1996 are remarkable. The operation is hampered by inadequate office space, but has been effective in supporting U.S. policy goals and in engaging the ambassador and the full country team in public diplomacy efforts.

Management of consular sections in both Abu Dhabi and Dubai is excellent, but American staffing of these sections is stretched thin and should be reinforced. The significant Department of Defense presence in the mission (represented in nine different entities), and the pressure to increase staff at Dubai, dominate resource management considerations. Implementation of the new ICASS system has been stressful, given the dominant presence of U.S. military agencies, but good working relationships between individuals and agencies, and a respected and effective administrative officer, have eased the process.

### **Embassy Mexico City, Mexico, and Constituent Posts, and USIS Mexico (ISP/I-97-41)**

The U.S. relationship with Mexico under the North American Free Trade Agreement has not only expanded and solidified economic ties, it has resulted in a more mature, far-ranging partnership that has begun to change attitudes and practices on both sides of the border. Mexico is undergoing significant political change while enacting fundamental economic reforms. At the same time, Mexico is a major source of illegal migration and of illegal drugs. Its pervasive corruption impedes corrective action.

The leadership of Embassy Mexico is exceptionally strong in the policy area. The ambassador, in particular, has played an active, constructive role in resolving significant bilateral problems. Coordination of the 28 U.S. agencies in Mexico is excellent at the higher, or country team level. The ambassador and deputy chief of mission have created the structures and procedures to ensure this result.

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#### **Cooperation Between Department of State and Department of Defense**

An effective relationship exists between Department of State and Department of Defense representatives in Kuwait, essential if the mission is to facilitate the vital role played by U.S. forces there. The ambassador has integrated U.S. Army and Air Force commanders into the mission's country team, although neither comes under his authority as chief of mission. A weekly political/military meeting, presided over by the ambassador, is conducted by the military and includes key embassy and military personnel. There is a strong sense of teamwork in this meeting, where information and views on force protection, military deployments, intelligence information, and public diplomacy are candidly shared.

### Good Management of Junior Officers

Support for and management of new, or junior, Foreign Service officers is particularly well done at Embassy Mexico and its constituent posts. The deputy chief of mission hosts a well-received monthly dinner for the mission's junior officers; the embassy consular section maintains an informal rotation program — junior officers are detailed for 4 months from the section to other sections and agencies; the larger consulates give junior officers reporting responsibilities as part of their regular work. Junior officers also may serve temporarily as aides to the ambassador and the minister-counselor for consular affairs, and may take up temporary-duty assignments to other posts in Mexico.

The challenge is to spread the perception and practice of teamwork more widely in the lower levels of the agencies.

Law enforcement and counter-narcotics work has a pervasive role in the mission. Exchanges of staff among the involved agencies have had a positive effect, and coordination among these agencies is good. The embassy oversees eight constituent posts, more than any other embassy in the world. Leadership qualities of all of the principal officers of the consulates are generally excellent. More attention is needed in all embassy sections to the coordination of the work of the consulates, particularly in consular affairs and in political/economic functions.

The large majority of State Department direct-hire American personnel in Mexico is engaged in consular work, and the consular staff is doing an outstanding job under often difficult circumstances. The most significant problem lies in the embassy's nonimmigrant visa unit, where the processing of vast numbers of applicants has led to long lines, waits of many hours, a "salt-mine" working environment for the staff, and overuse of the visa referral (from

embassy officers) system. Finally, the 10 consular agents in Mexico are providing valuable services to American residents and visitors, at relatively low cost.

Two developments could increase dramatically the consular workload: the requirement to reissue four-to-six million border crossing cards by September 30, 1999, and the possible expiration of Section 245(l) of the Immigration and Nationality Act, the effect of which would require aliens in the United States to go to a foreign country to change U.S. immigration status. Planning for these requirements should be accelerated.

Administrative services at the embassy have improved significantly since the last inspection (1993). The housing program (for American staff) is much better, though still the target of the most staff complaints. Coordination and communication between sections, particularly the financial management center and the general services office, need further attention, and controls over leasing procedures and payments, and accounts receivable, should be tightened. The ICASS system, through setting of standards, will have a positive

effect. Problems to be addressed by the Department as well as the post include delays in pay adjustments for Foreign Service national (FSN) employees and a telephone system that is grossly inadequate.

USIS Mexico operates a well-conceived public diplomacy program, and is an integral and valued element of the embassy. Reductions in its resources over the past few years have resulted in fewer programs and projects, but those that remain are more clearly focused and linked more closely to the USIS country plan and the mission program plan. The branch posts are effective and vital parts of the U.S. official presence in Mexico. Coordination has improved notably as a result of regular exchanges of visits between branch and embassy officers.

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### Embassy Seoul, Korea, and its Constituent Post, and USIS Seoul (ISP/I-97-42)

Since the end of the Korean War, the Republic of Korea (South Korea) has developed the eleventh largest economy in the world and a robust democratic governmental system, with another presidential election scheduled for the latter part of 1997. Security and political/military issues remain the primary policy concern between the United States and Korea, and are likely to dominate the relationship into the foreseeable future. Dealings with North Korea, as it has undergone a change in leadership while facing increasing economic decay, have become

increasingly sensitive in recent years. The Korean peninsula remains one of the world's few truly critical concerns for war or peace. The United States still maintains some 37,000 troops in South Korea, and the importance of this presence is recognized in the close and effective relationship between the mission and the military command, U.S. Forces Korea.

While its resources and attention are focused appropriately on the security relationship, the mission has taken steps to ensure that the U.S.-Korean economic dialogue is not overshadowed by security concerns and that attention is devoted to the pursuit of U.S. economic objectives.

The accomplishments of the mission are particularly noteworthy in that there has been no ambassador at its head since February 1997. Upon the departure of the then-serving ambassador, the deputy chief of mission became chargé, and remains in this position at this writing. The chargé, with extensive Korean experience, has been an excellent reporter on the full range of issues, has overseen effective political and economic sections, and has maintained the critical close relationship with the U.S. military.

Administrative operations are excellent overall but with weaknesses in some areas. OIG made recommendations concerning banking services and facilities, personnel operations, safety issues, and other deficiencies. The

management controls program was found to be inadequate because of major weaknesses in consular management and the embassy employee association. Corrective recommendations were made.

The processing of 750,000 non-immigrant visa (NIV) applications per year nearly overwhelms the short-staffed consular section, despite bold innovations and procedural shortcuts by consular managers. Mission policy focuses on production to the detriment of management controls and resource needs. The Department of State has not provided adequate consular personnel resources to allow the post to meet the requirements of law and regulation. The NIV workload is still growing, there are heavy public relations pressures from the Korean side on visa issuance, and the embassy needs more physical space to deal with the flow of visa applicants. The embassy has been fully aware of the consular problems and has requested the increased resources it needs.

The staffing and responsibilities assigned to Consulate Pusan have diminished in recent years, with visa work transferred to the embassy. The remaining staff has done fine work in support of those objectives still set out for it. Coordination with the embassy and local U.S. military authorities is excellent, and administrative functions are well performed. However, Consulate Pusan is not cost effective nor likely to become so in

the future. While some useful activities can still be performed, its continued maintenance consumes resources which could be better used at the embassy. OIG has recommended closure of the post no later than mid-1998.

Public diplomacy activities undertaken by USIS in Seoul are a vital part of embassy planning and policy implementation. USIS programs outside Seoul often afford embassy officers their only chance to travel about the country, as sparse travel funds have limited the activities of consular, economic, and political officers outside Seoul. USIS has been particularly successful in its efforts to encourage public Korean debate on issues in a culture which has favored consensus around important issues. Many Koreans, while recognizing and supporting U.S. security ties and the presence of U.S. troops, resent what they perceive as U.S. power and influence over Korean affairs, including efforts to force open the Korean market for increased access to American businesses. USIS support for U.S. objectives in these areas is well focused.

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**Embassy Kuwait, Kuwait**  
(ISP/I-97-48) • **USIS**  
**Kuwait (ISP/I-97-32) •**  
**Voice of America Relay**  
**Station, Kuwait**  
(ISP/I-97-37)

Kuwait's independence is vital to several U.S. interests, including the containment of Iraq and Iran, and the unimpeded flow of oil to world markets. The continuing presence of sizable American military forces emphasizes the U.S. commitment to the defense of Kuwait. The presence of these forces is the central reality of U.S.-Kuwait relations and the dominant factor in the embassy's work. The security of the U.S. military force and of the embassy itself is a daily concern of the ambassador, who works closely with the leadership of the U.S. military. The structuring of this relationship is a "best practice" worthy of note by other U.S. missions in similar circumstances.

The lingering effects of the Iraqi invasion of Kuwait in 1990 are evident in the management of mission resources. The mission was closed at that time, and was reopened with only a few employees in 1991. Since then its growth has been explosive, with new support requirements for a variety of Department of Defense entities, an increase from 86 Americans in 1993 to 153 Americans in late 1994, and a move to a new chancery in 1996. Despite all this, the mission has improved its communication with the resident American community, produced timely and effective political and economic

reporting, provided excellent consular services, maintained administrative support services ranging from good to excellent, and conducted an effective advocacy campaign in support of U.S. business.

As might be expected in the circumstances, areas needing improvement have been identified in the new chancery facility, the formal establishment of the ICASS system is not yet matched with fully effective interagency trust and cooperation, and greater concentration on active overall management of the administrative operation is needed.

The USIS public affairs officer has earned praise for his skills in dealing with intense media interest in the ongoing story of U.S. military operations in Kuwait and the region. Again, as might be expected, the overwhelming time and effort necessarily dedicated to military matters impedes USIS' efforts to support other public diplomacy objectives such as women's rights, the promotion of U.S. commercial and financial interests, and increased understanding of American society and culture. USIS Kuwait is well aware of this deficiency, and has labored hard, with some success, to widen its scope of activities. Some additional resources have been secured, notably a U.S. Army public affairs officer to assist with military press matters.

VOA has since April 1996 operated a medium-wave radio relay station in the Kuwaiti desert some

30 minutes from the Iraqi border. Broadcasts, mainly in Arabic with some programming in English and Farsi, cover Iraq and Iran and can be heard in parts of the Caucasus and near eastern Asia, including Nepal and Pakistan. In January 1997, VOA began sending a weekly "call-in" show to Iran, which reportedly has been enormously successful. OIG found some problems in personnel, security, and administrative support from the embassy. These deficiencies are being addressed.

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**U.S. Mission to the**  
**North Atlantic Treaty**  
**Organization, Brussels,**  
**Belgium, and the U.S.**  
**Information Service at**  
**U.S. NATO (ISP/I-97-45)**

NATO is embarking on its greatest changes since its creation. In addition to taking in three new members, it is institutionalizing relations with Russia in a NATO-Russia Council, making a similar arrangement for Ukraine, and is strengthening the Partnership for Peace with a Euro Atlantic Partnership Council. It must also grapple with the major policy, command structure, and budgetary issues involved in expansion. USNATO has produced impressive results in furthering U.S. interests across the full range of the NATO agenda. Department of State and Department of Defense staffs are exceptionally well integrated in the mission.



The expansion of NATO's workload correspondingly has increased the load on the already overworked USNATO staff, and USNATO and the Departments of State and Defense must assess the mission's current structure and resources to determine their adequacy in the new situation. More personnel, with some reallocations, and more money may well be needed. The mission's administrative support and financing arrangements have developed on an ad hoc basis over many years. They are neither transparent nor susceptible to adequate oversight. The mission should now bring these arrangements under the ICASS system, and should reorganize its administrative section to coincide more closely with the standard organizational structures of other Foreign Service posts. USNATO is addressing a Defense Department Inspector General report which found weaknesses in management controls, primarily in the Defense element in the mission.

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## FOLLOWUP REVIEW

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### **Embassy Bridgetown, Barbados (ISP/C-97-38)**

The review of the inspection of Embassy Bridgetown conducted in 1994 found that compliance with its recommendations had been generally good, although several of the issues raised in those recommendations need further review and action. It should be noted that the ambassador in Barbados is accredited to seven governments, more than any other current American ambassador. Since 1994, the embassy has moved further from its former traditional diplomatic functions toward a dominant, sharply focused, highly operational program of law enforcement in general and narcotics suppression in particular. The U.S. Agency for International Development (USAID) closed its mission in 1996, and the USIS post was reconfigured into a small operation focused entirely on narcotics suppression. These and other changes, including the withdrawal of some trade benefits, have given rise to a local perception that the United States is "abandoning" the Eastern Caribbean.

Despite these problems, the mission has a solid record of accomplishment in support of its law-enforcement mandate. Coordination of the eight agencies in the mission is good. The mission engages in little public diplomacy, given its vestigial, single-issue USIS presence. In the face of heavy criticism of U.S. policies in the local press, and by the Barbadian Government, the mission has made valiant efforts at correction with mixed results. More needs to be done in the public diplomacy arena, despite the difficulties.

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# Security and Intelligence Oversight

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**D**uring this semiannual period, the OIG Office of Security and Intelligence Oversight (SIO) issued reports on twenty inspections, four followup reviews, and one audit. The SIO inspection teams evaluated security in Asia, Europe, and South America. The followup review teams were involved primarily in Southeast Asia; and an audit covered the cooperative agreement with the New York Police Department. Because SIO reports discuss specific security vulnerabilities of the Department and its posts, only unclassified synopses of the inspection, followup review, and audit findings are included in this semiannual report.

The Intelligence Oversight Division completed reviews of the coordination and oversight by the chief of mission of intelligence activities at 12 overseas missions. Details of all SIO reports are found in the classified annex to this report.

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## SECURITY INSPECTIONS

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### **Embassy Seoul, Korea, and Constituent Posts (SIO/I-97-17)**

The inspectors' primary concern at Embassy Seoul was for the embassy to better prepare for possible emergencies.

### **Embassy Beirut, Lebanon (SIO/I-97-20)**

The Department and Embassy Beirut have created a compound with many physical and procedural security systems. However, additional attention should be given to emergency planning and preparation.

### **Embassy Bern and Other Diplomatic Posts in Switzerland (SIO/I-97-19)**

The U.S. Mission to the United Nations and Other International Organizations in Geneva (U.S. Mission Geneva) and the U.S. Arms Control and Disarmament Agency are commended for resolving the primary issue from the last security inspection by relocating the arms control delegations from a commercial building into more secure spaces within the U.S. Mission Geneva facility. This major improvement notwithstanding, inadequate public access controls and unresolved physical security vulnerabilities still exist.

### **Foreign National Employee Program in Russia (SIO/I-97-18)**

The principal issue in this inspection, as it was in the 1995 inspection, is the increasing number of foreign national employees and the decreasing number of cleared Americans to oversee them and to provide essential services in sensitive areas. Budget reductions have eliminated many contract American trades positions, which are essential for maintaining the facilities where classified information is stored, processed, and discussed. A long-term staffing analysis is needed to ensure that future staffing levels do not produce unacceptable security vulnerabilities as a result of reductions in cleared American positions. In addition, a staffing analysis of the security office is needed to ensure that there are adequate resources to maintain the security program itself.

### **Embassy Tirana, Albania (SIO/I-97-27)**

Embassy Tirana is undergoing a major construction project to provide sufficient secure facilities for American and FSN staff. Work on this project was halted earlier this year because of internal unrest, but the project has now recommenced.

## **Moscow Oversight Report (SIO/M-97-23)**

OIG has established a special Moscow Oversight Team to oversee, review, and monitor the ongoing reconstruction of Embassy Moscow's secure chancery facilities—a \$240 million project scheduled to be completed in September 1999. In this report, the team's first status report with formal recommendations, the inspectors reviewed all major aspects of the project and made recommendations to (1) enhance the counterintelligence program, (2) improve coordination with other tenant agencies that have unique security requirements and concerns, and (3) enhance portions of the construction security plan. The report also commented on cost and schedule issues, primarily focusing on the progress to date toward completing the project within the available resources.

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## **Embassy Riyadh, Saudi Arabia (SIO/C-97-24)**

The Department and Embassy Riyadh have taken action to deal with the heightened terrorist threat after the vehicle bombings in Riyadh in November 1995 and in Dhahran in June 1996. The Bureau of Diplomatic Security (DS) provided funds and additional temporary-duty security personnel. Senior post management has given effective support to the security program, with respect both to recommendations in the 1994 security oversight inspection and to the new situation created by the bombings. U.S. civilian-military cooperation on security and force protection is close and effective.

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## **Embassy Bogota, Colombia (SIO/I-97-28)**

Many of the security issues before 1995 were resolved with the chancery's relocation from a building with many vulnerabilities into the new facility constructed to Department standards. This accomplishment notwithstanding, several other key security issues in Colombia should be reviewed and resolved.

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## **Embassy Sanaa, Republic of Yemen (SIO/I-97-26)**

The Department and Embassy Sanaa have done much to ensure protection of personnel at the embassy compound. This includes a recently built chancery that was constructed to meet the latest security standards. However, security improvements are needed with respect to physical and procedural security practices and emergency preparedness.

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## **Embassy New Delhi, India, and Constituent Posts (SIO/I-97-29)**

Embassy New Delhi has a large, well-managed security program. The embassy has several security-related projects that are either under way or planned for the near future. In sharp contrast to the embassy, however, Consulates General Mumbai and Madras have many deficiencies in their security programs that are in need of improvement.

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## **Embassy Lima, Peru (SIO/I-97-30)**

Like Embassy Bogota, many of the security concerns before 1995 were resolved with the occupancy of a new facility built to Department standards. However, the physical security at the USAID office building and the ambassador's residence need improvement.

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## **Embassy Sofia, Bulgaria (SIO/I-97-31)**

Embassy Sofia's and the Department's primary security concern continues to be the need to find another chancery that affords more security.

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### **Embassy Bucharest, Romania (SIO/I-97-33)**

Embassy Bucharest's and the Department's primary security challenge is the need to provide adequate technical support and pay more attention to emergency preparedness at Embassy Bucharest.

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### **Embassy Paramaribo, Suriname (SIO/I-97-35)**

Embassy Paramaribo has undergone multiple changes within the past year, including the loss of its Marine security guard detachment. Improvements are needed in its security program, partially to compensate for the detachment's absence. A structural analysis is also needed to better plan for future space allocations.

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### **Embassy Georgetown, Guyana (SIO/I-97-36)**

Embassy Georgetown was designed and constructed less than 6 years ago. Changes in security staffing mean newer ways have to be developed to protect personnel. Security improvements are needed in other areas, some of which were identified in the last security inspection in 1993.

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### **Embassy Bridgetown, Barbados, and Embassy St. George's (SIO/I-97-38)**

At Embassy Bridgetown, the Department needs to reevaluate a construction project currently underway and reassess the potential crime threat to official American personnel. At Embassy St. George's, material that is in excess of the embassy's needs should be dis-

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posed of or shipped to Embassy Bridgetown.

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### **Embassy Montevideo, Uruguay (SIO/I-97-40)**

Embassy Montevideo occupies a building designed in the 1960s when security was seldom a consideration in a design competition. Physical security deficiencies resulting from this building need to be addressed. Residential security is also a concern.

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### **Embassy Asuncion, Paraguay (SIO/I-97-41)**

This inspection focused on physical security and emergency preparedness issues, both of which need attention.

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## **SECURITY AUDIT**

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### **Audit of the Cooperative Agreement with the City of New York Police Department (SIO/A-97-25)**

In May 1993 the Department awarded a cooperative agreement to the New York Police Department (NYPD) to provide extraordinary protective services for foreign missions and visitors. The purpose of this audit was to determine whether (1) the NYPD staffed and equipped protective services as required by the tasking orders, (2) invoices included only appropriate charges, and (3) claims for reimbursement were not excessive. The audit concluded that NYPD staffed and equipped protective services as required, only appropriate charges were invoiced, claims for reimbursement were not excessive, and NYPD's applicable internal controls did not contain any material weaknesses. The audit resulted in no specific recommendations.

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## FOLLOWUP REVIEWS

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### **Embassy Almaty, Kazakhstan (SIO/C-97-21)**

Security at Embassy Almaty has significantly improved since the issuance of the security inspection report of November 1995. However, a modest renovation project is needed to improve physical security at the chancery as well as improvements in communications and the establishment of safe areas.

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### **Embassy Bishkek, Kyrgyzstan (SIO/C-97-22)**

This review found that senior post management is to be commended for establishing a modicum of security under very difficult conditions and for being very attentive to security issues. Significant improvements in security will be in place when the chancery is moved to its new modular constructed facility.

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### **Embassy Phnom Penh, Cambodia (SIO/C-97-32)**

Security at Embassy Phnom Penh had improved significantly since the security inspection of September 1995. However, more attention needs to be given to emergency preparedness, and to residential and technical security.

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### **Embassy Hanoi, Vietnam (SIO/C-97-37)**

There have been improvements in security since the inspection in October 1995, and more are expected when physical renovations to the chancery are completed and a Marine security detachment arrives at the post.

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### **Emergency Action Drills**

Practical exercises and drills are the cornerstone of the Department's emergency preparedness program. Drills are a no-cost way for a post to assess its response to various crises, to train personnel, and to test emergency equipment. However, drills are not being performed as mandated by Department guidelines. As a result, posts not performing these drills are likely to encounter difficulties during an actual emergency.

There are four emergency drills (fire, bomb, internal defense, and emergency destruction of classified materials), which are required either semiannually or annually, depending on the threat from political violence assigned to the post. Additionally, embassy warden systems are drilled on an annual basis.

As part of the security inspection process, inspectors conduct an unannounced drill to assess a post's emergency readiness. Frequently, inspectors have discovered that posts are unprepared to respond. For example, at a large Latin American post where a fire drill was conducted by the inspectors, some employees did not know where to go or what to do; local guards looked for a bomb, not understanding that this was a fire drill; the Selectone system did not work in all locations; and the executive office refused to participate.

Nonperformance of emergency drills has been an ongoing problem identified in numerous OIG inspection and audit reports. Since 1988 there have been 195 formal recommendations issued to posts concerning the lack of performing these required drills. Additionally, a 1995 OIG audit report (OSO/A-95-34) identified systemic problems, such as the lack of standardized guidance and training.



# Investigations

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**D**uring the reporting period, the Office of Investigations opened 56 cases and closed 85 cases; 15 cases were referred for criminal prosecution, and 11 were referred to the State Department for administrative action.

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## JUDICIAL ACTIONS

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### Arrests

**Visa Malfeasance.** In March 1996, OIG was apprised of allegations that a translation center in New York's Chinatown was involved in visa swindling, forgery, and passing fraudulent identity and other supporting documents to defraud the Department of Justice, the Immigration and Naturalization Service's (INS) Political Asylum Program. It was also alleged that the center maintained several liaison offices in the People's Republic of China to recruit applicants and influence Department consular officers there. Subsequently, an undercover operative working jointly with INS and OIG purchased numerous documents and a fraudulent political asylum application package. In July 1997, these efforts resulted in seven arrest warrants and two search warrants being issued and executed at the Foochowese Translation Center, New York, New York. It is believed that the subjects filed over 1,200 false political asylum applications since 1993, with unreported income from this scheme estimated to be

in excess of \$1 million. Judicial proceedings are pending in the Southern District of New York. (96-078)

**Embezzlement.** In April 1997, OIG was notified by FMP's International Financial Services Directorate of the possibility that an employee at the Charleston Financial Service Center (CFSC), Charleston, South Carolina, had taken Department funds. CFSC management had identified two suspicious electronic fund transfer (EFT) payments made by a disbursing officer at CFSC. When interviewed by OIG agents, the disbursing officer confessed to stealing Department funds by making unauthorized EFT payments to an account held by himself and an account held by an outside individual. The employee stated he had used the vast majority of the stolen funds to purchase "crack" cocaine for himself and that he had paid the other party to establish a local bank account for the purpose of receiving illegal deposits of Department funds. On May 30, 1997, the employee was arrested for simple possession of a controlled substance and misuse of public funds

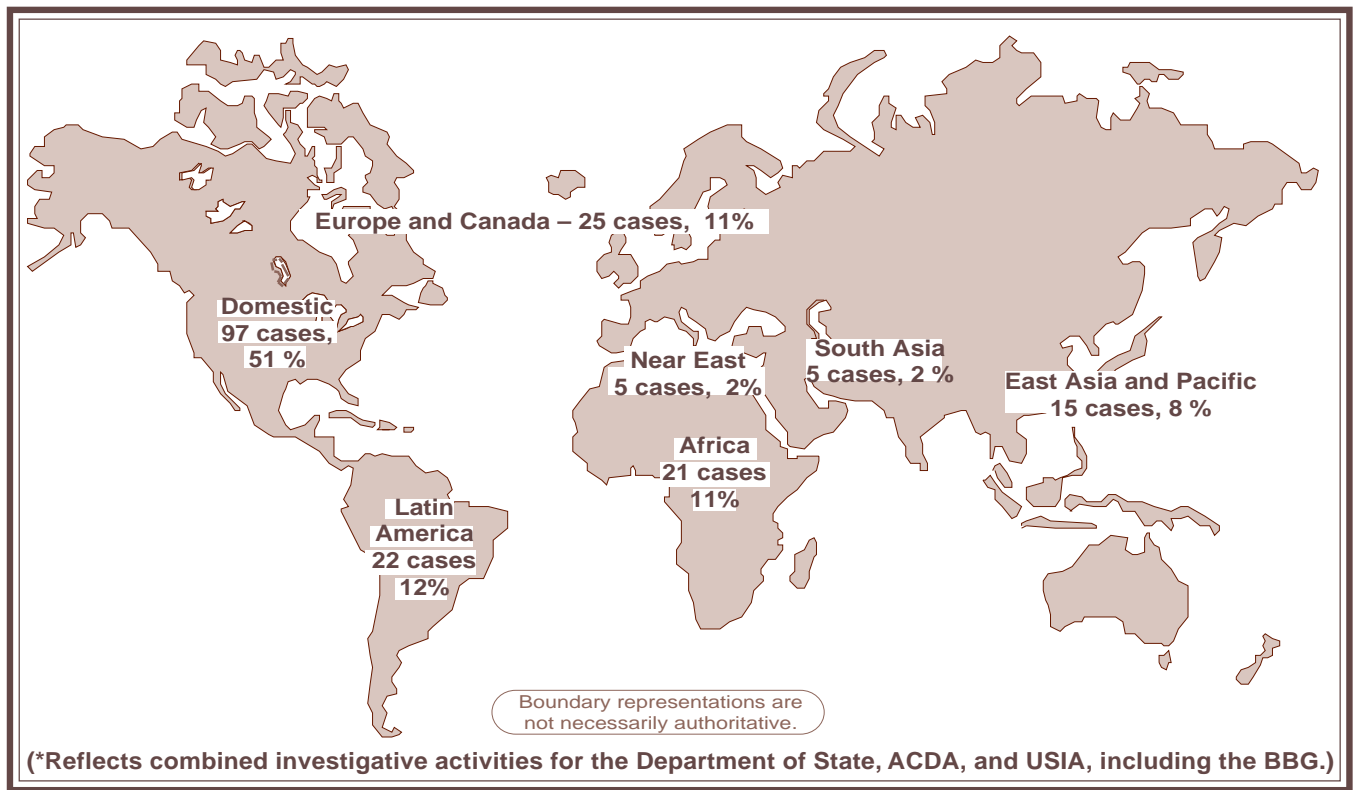
by a disbursing officer. On July 8, 1997, the employee was indicted on 19 counts of misuse of public funds by a disbursing officer. To date, \$193,807 in Department funds have been determined to have been embezzled through five privately held bank accounts. The Federal Bureau of Investigation (FBI) is jointly investigating the narcotics portion of this case. (97-081)

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### Convictions

**Embezzlement.** A former Department employee was investigated for submitting false claims for travel in the Washington, D.C., area. The investigation disclosed that questionable local vouchers in excess of \$6,000 had been submitted and that the authorizing supervisor's signature on several documents appeared to be forged. The employee admitted that the vouchers were falsified and that the travel had not occurred. The authorizing official's signatures were forged by the employee to continue the scheme for a prolonged time. The U.S. Attorney's Office for the District of Columbia accepted the case for criminal prosecution. A plea agreement was signed in which the individual acknowledged guilt and agreed to make restitution to the U.S. Government. On September 15, 1997, the employee, who had retired in July 1997, was sentenced to two years probation, restitution of \$6,971, and 100 hours of community service. (96-018)

## Geographic Distribution of Investigations\*



- An OIG investigation determined that a former employee embezzled approximately \$3,500 from the Department by stealing the reimbursement vouchers of coworkers and submitting claims that the employee did not receive salary checks. In February 1997, the former employee was arrested by OIG agents on charges of felony theft. On August 8, 1997, the individual entered a guilty plea to two misdemeanor counts of theft at Superior Court in the District of Columbia. The individual was sentenced to 18 months of probation and ordered to make restitution of more than \$1,900. (97-025)

**Passport Fraud.** An OIG investigation, conducted with other Federal and local law enforcement agencies, led to criminal charges against a Nigerian national and his wife, a U.S. citizen, for conspir-

acy to commit passport fraud, as well as welfare fraud, food stamp fraud, and social security violations. The Nigerian, who had been a fugitive, was arrested while attempting to reenter the United States in October 1996. After pleading guilty to two felony charges, on March 27, 1997, he was sentenced to 11 months incarceration. (95-199) (See *OIG Semiannual Report, October 1, 1996 to March 31, 1997*, p. 30)

- During an ongoing theft investigation at a passport agency, it was discovered that a fraudulent passport application had been submitted to obtain a U.S. passport. Inquiries revealed that an illegal alien had solicited the help of a U.S. citizen to secure a passport for the illegal alien's daughter. The birth certificate and biographic data for the citizen's own daughter were used to prepare an application for

a U.S. passport. Once the citizen received the passport, it was sold to the illegal alien for \$100. OIG interviewed the citizen, who admitted to preparing and submitting the fraudulent passport application, and the illegal alien, who admitted to purchasing the passport. The case was accepted for prosecution by the U.S. Attorney's Office for the District of Columbia and both individuals were arrested on felony warrants. The citizen pleaded guilty to one count of fraud activity in connection with identification documents. Sentencing is pending. The illegal alien agreed to be placed in the Federal Pretrial Diversion Program until March 1998. (96-193)

**Time and Attendance Fraud.** OIG responded to an allegation that a timekeeper was suspected of falsifying time and attendance records

for 1994 and 1996. The employee was interviewed and denied altering annual and sick leave hours or inflating overtime hours. The case was presented to the U.S. Attorney's Office, Superior Court, Washington, D.C., and accepted for prosecution. The employee was arrested and subsequently pleaded guilty to the charge of second degree attempted theft. The defendant was sentenced to 8 months probation, ordered to reimburse the U.S. Government \$510, and to forfeit 175 hours of annual leave, for a total restitution of \$2,311.75. As part of the plea agreement, the defendant, who resigned, was barred from seeking further employment with the U.S. Government. (96-107)

## Reimbursement

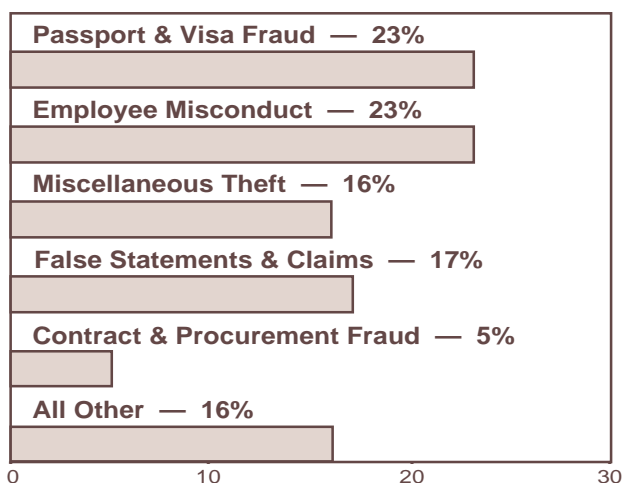
**Contract Fraud.** A joint investigation with the EPA, Office of Inspector General, was initiated when OIG received information

that a contractor erroneously received payment of \$204,643 from the Department of State as a result of a clerical error. The contractor received payment that was intended for its assignee. EPA had also mistakenly paid the contractor instead of the assignee. The contractor was notified of the error, but knowingly retained the funds. The assignee received duplicate payments from both agencies. The Department's case was presented and accepted by the U.S. Attorney's Office, Civil Division, for the District of Maryland. The contractor subsequently filed for Chapter 11 Bankruptcy. The U.S. Bankruptcy Court for the District of Maryland ordered the contractor's Trustee to settle with the U.S. Government for \$100,000, which was credited against the unsecured claims by the Department and EPA. (95-158)

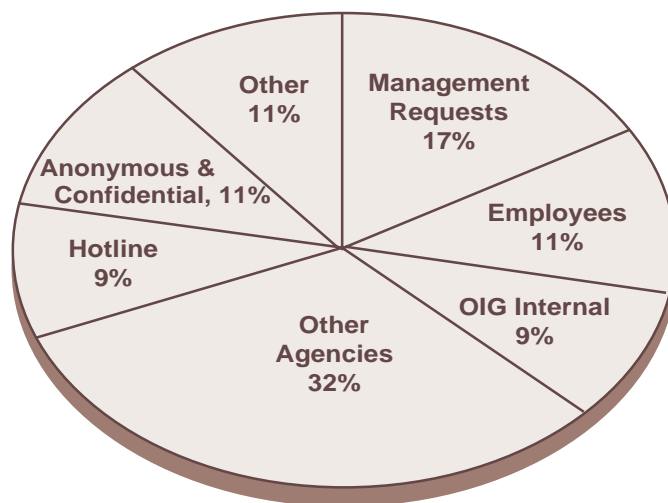
**Employee Misconduct.** OIG initiated an investigation after receiving information that a Foreign

Service officer had improperly received Separate Maintenance Allowance (SMA) while separated from his wife and undergoing divorce proceedings. Investigation determined that the officer claimed and received SMA to which he was not entitled between 1986 and 1993. As previously reported, in January 1997, the officer was notified by the Bureau of Personnel of a proposal to suspend him for 20 days. Subsequently, in August 1997, the Bureau of Personnel notified OIG of a final decision to suspend the officer for 10 days. In April 1997, after negotiations between the officer and the Civil Division of the Office of the U.S. Attorney for the Eastern District of Virginia, the officer executed an agreement to reimburse \$15,000 to the U.S. Government. The officer reimbursed this amount upon signing the agreement. (94-044) (*See OIG Semiannual Report, October 1, 1996 to March 31, 1997, p. 33*)

Types of Cases\*



Sources of Allegations\*



\*(Charts reflect combined investigative activities for the Department of State, ACDA, and USIA, including the BBG.)

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## ADMINISTRATIVE ACTIONS

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### Admonishment

**Central America.** OIG received information in March 1995 indicating that a senior official may have been involved in a conflict of interest. The official was alleged to have improperly influenced embassy employees to utilize a program operated privately by his spouse. The investigation revealed that the officer took improper actions to facilitate funding of the program, not affiliated with the embassy, and created the perception of a conflict of interest and showed poor judgment. Details of the case were presented to the Department of Justice who declined prosecution. A Report of Investigation was forwarded to the Office of Personnel and resulted in a proposed three-day suspension for the official, which was subsequently reduced to a letter of admonishment. (95-077)

**Southern Asia.** OIG initiated an investigation in February 1996, based on information indicating that an American officer at a post had wrongly intercepted correspondence intended for the OIG. The investigation revealed that the officer, after reading a letter addressed to the OIG, accused an FSN employee of being the author. The accusation that the FSN drafted the letter, along with other personnel matters under consideration, resulted in termination of the FSN's employment. On February 20, 1997, OIG forwarded an Administrative Report to the

Department's Office of Personnel. On March 21, 1997, a letter of admonishment was issued to the officer for violation of prohibited personnel practices. (96-064)

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### Debarment

**False Claim Update.** The prior Semiannual Report to Congress contained information regarding a Washington, D.C., contractor who pleaded guilty in U.S. District Court to three counts of making a false certificate or writing for sub-

mitting false billings to the Department. The savings and restitution to the Department totaled \$523,102. A referral was made to the Department for consideration of suspension or debarment of the company. On April 24, 1997, a final decision was issued, which debarred the company for a period of one year from conducting business with the U.S. Government. (91-040)

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### Reimbursement

**Employee Misconduct.** An OIG investigation found that a tandem couple became the guardians for their live-in nanny/housekeeper's daughter and subsequently added this child as a dependent for the purpose of obtaining education

#### Actions Responsive to Congressional Inquiries Regarding OIG Investigative Practices

During the semiannual reporting period, legislation was proposed relating to investigative practices of this Office of Inspector General. Additionally, hearings were held in the House relative to investigative practices in the entire OIG community. Being responsive to congressional interest in this area, OIG pursued a number of actions during the last six months:

- ▼ We revised our brochure to employees on *The OIG Investigative Process* and, as we went to press for this semiannual report, were in the process of printing and distributing these brochures to every employee in the agencies we cover.
- ▼ OIG frequently gives presentations to various employee groups such as new chiefs of mission, the advanced consular officer course, and to new Civil Service and Foreign Service employees. In each of these presentations, we have included updated information on due process rights of employees during OIG investigations.
- ▼ An updated version of the OIG Office of Investigations Policies and Procedures manual was provided to all special agents. This manual includes revised information on conducting employee interviews and the rights to be furnished to employees during such interviews.
- ▼ As the reporting period ended, all OIG special agents began legal update training. OIG requires all special agents to successfully complete the Federal Law Enforcement Training Center (FLETC), Continuing Legal Education Training Program, every four years. This exceeds the FLETC recommendation for law enforcement officers to complete this training every five years.



allowance benefits. The U.S. Attorney's Office for the District of Columbia declined to prosecute this matter in favor of appropriate action by the Department. The Office of the Legal Adviser and Office of Allowances determined that the employees violated the spirit of the standardized regulations governing allowances and benefits. Both offices found that the employees were not eligible to receive the benefits. In July 1997, this matter was referred to the Department's Office of Fiscal Operations for appropriate collection action to recover \$11,987 in education allowance benefits obtained by the employees. (97-005)

- An investigation of a fraudulent travel voucher disclosed that an employee submitted a voucher and made computational errors that resulted in overpayment for post differential pay and danger pay in the amount of approximately \$272. In January 1997, this matter was referred to the Department's Office of Financial Operations who issued a collection letter to the employee. (96-188)

**Update.** In the last Semiannual Report to Congress, it was reported that an OIG investigation had disclosed that an employee permitted friends and family members to reside free of charge in embassy-leased housing during a personal visit to post. Restitution has been made by the employee in the amount of \$400, which is commensurate with post temporary-duty housing rates. (96-177)

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## Reprimand

**Misuse of a U.S. Government Vehicle.** OIG investigated allegations that a Department employee used his assigned U.S. Government vehicle for other than official business. The investigation revealed that the officer used a government vehicle to transport a relative to an official government-sponsored training exercise. An Administrative Report was issued to the Bureau of Personnel, which proposed a letter of reprimand that was subsequently reduced to a written admonishment. (96-033)

**Employee Misconduct.** An OIG investigation was opened based upon a hotline complaint alleging that an employee was operating a private business during office hours in the main State Department building and was using subordinate employees to assist in these business activities. The OIG investigation determined that the employee had sold jewelry on Department premises during business hours, but did not substantiate the allegation that subordinates had assisted. It was also determined that the employee had made false statements to OIG investigators during the investigation. In April 1997, the employee was officially reprimanded. (96-042)

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## Resignation

**Improper Conduct.** OIG received allegations from several sources alleging that an ambassador had engaged in inappropriate conduct involving an American and an FSN subordinate. The OIG investigation determined that the ambassador made inappropriate advances to-

ward subordinates and engaged in improper conduct. After a review, the Department of Justice declined prosecution. An OIG Report of Investigation was presented to the Secretary, and the ambassador subsequently resigned. (97-085)

### **Misuse of Government Property.**

An FSN employed as the Commissary Affairs Manager at an overseas post resigned subsequent to an OIG investigation, which determined that the FSN was utilizing commissary furniture and electronic equipment at home without payment for the use of the items. Prior to resigning on March 13, 1997, the FSN paid \$70 in restitution to the commissary fund. (97-062)

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## Suspension

**South East Asia.** An anonymous source provided information to OIG alleging that a senior officer submitted fraudulent voucher claims and utilized a U.S. Government vehicle for personal use. The investigation determined that the officer had improperly calculated actual subsistence claims for an extended period of time for himself and his family. The Department of Justice declined criminal prosecution. An Administrative Report was presented to the Director General of the Foreign Service for appropriate administrative action. On May 28, 1997, the Bureau of Personnel proposed a 2-day suspension as a result of the officer's actions and directed a repayment of \$2,488 be made to the U.S. Government. (95-201)

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## Termination

A scheme to embezzle U.S. Government funds from an embassy was uncovered when a former FSN employee was alleged to have received kickbacks in the form of discount payments from an airline company. The discounts were supposed to be part of the payments made by the embassy for household good shipments for employees transferring from the post. The discounts amounted to 20 or 25 percent of the total quarterly shipping bills. The airline managers wrote out checks made payable to either the FSN or the U.S. Embassy and assisted the FSN in cashing the checks. Inquiries disclosed that approximately \$30,000 worth of checks were cashed between June 1995 and January 1997. The FSN was terminated from embassy employment and charged with theft by the local police. Due to several scheduling extensions for the trial, judicial action is pending. (97-071)

- Upon receipt of information from a post that an FSN employee had been involved in the theft of approximately \$161,000 in U.S. Government funds, a joint investigation by the regional security officer and OIG was initiated. Inquiries disclosed that the funds were shortages discovered in a class B cashier's account. In August 1997, the former employee was arrested by the local police and charged with theft. Prosecution is pending at this time. (97-042)

- An OIG investigation was initiated upon notification by FMP that \$2,850 was missing from the class B cashier account at a foreign post. The missing funds were discovered during a routine audit of the account by the Regional Financial Management Officer. Initial inquiries disclosed possible problems related to newly installed automated cashier software; however, a check in the amount of \$2,850 was traced as being cashed by the cashier. The employee was interviewed and acknowledged

responsibility for the missing funds. The cashier was terminated and agreed to reimburse the U.S. Government for the \$2,850. (97-125)

**Embezzlement.** OIG initiated an investigation in April 1997, based upon information that indicated that an FSN employed as customs and shipping clerk at an embassy in the Caribbean had embezzled U.S. Government funds. An OIG investigative team, working with the regional security officer at the post, determined that the employee had created a phantom company, and had fraudulently billed the embassy for packing and moving services. The investigation developed evidence that the employee had illegally obtained at least \$60,000 through this scheme over a 2-year period. The employee was terminated, and the evidence was presented to local authorities. The employee was criminally charged, and was arrested in August 1997. He was subsequently released on bond, and is scheduled for a preliminary hearing in November 1997. (97-092)

**False Claims.** An FSN employed in the general services office (GSO) of a post, received a reprimand when an investigation conducted by OIG determined that the FSN prepared and submitted a false receipt with a claim for reimbursement for the repair of consulate machinery. A second GSO FSN was terminated for providing false information to OIG special agents during this investigation as well as for other unrelated matters. A third GSO FSN was cleared of any involvement in this scheme to defraud the U.S. Government. (97-061)

### Management Implication Reports and Fraud Alert Bulletins

Management Implication Reports are issued when a systemic weakness is identified in a bureau specific program or operation. The MIR is sent directly to the affected bureau and states the problem, addresses details explaining the problem, and provides recommendations for corrective action. A cover memorandum signed by the Assistant Inspector General for Investigations transmits the report to the executive director of the affected bureau and requests that OIG be notified of the bureau's decisions regarding the recommendations.

Fraud Alert Bulletins are issued to all bureau executive directors and/or directly to posts overseas when an investigation identifies a systemic weakness that could have an impact on all Department bureaus/posts. The bulletin sets forth the problem and provides background information (including Federal and Department regulations), examples of recent cases involving the fraud, and recommendations for action. These bulletins highlight and inform employees of existing problems in an effort to prevent future cases of fraud, waste, and mismanagement.

Management  
Implication Report

**Information Sharing.** As a result of an investigation previously conducted and reported in the Semiannual Report to Congress, concerning an employee’s household effects shipment which consisted of approximately 48 percent debris, it was concluded that Department officials had been aware of unusual behavior exhibited by the employee while in a training status. This information was not forwarded for consideration to appropriate medical or security personnel. The employee had been granted a medical clearance due to inefficiencies between bureaus in sharing such information. An MIR was forwarded to the appropriate bureau offices concerning these issues. As a result, corrective actions were taken to incorporate revisions in the management procedures dealing with medical issues and security clearances. (95-126)

As a result of an OIG inquiry, an MIR was issued to DS. The inquiry revealed that DS lacked proper internal management controls for the handling of employee background investigative files. The MIR recommended that DS take steps to improve accountability by creating a formal written policy for the administration of background investigation files and to ensure that the policy is adhered to by all DS employees. (96-160)

**Procurement Irregularity.** OIG initiated an investigation in November 1996 based upon information received from the Office of Acquisitions (A/OPR/ACQ) indicating a possible procurement integrity violation. A contract specialist reviewing a technical pro-

posal submitted by a bidder on a State Department contract had noticed language in the proposal that was identical to language in an internal document which had been created within A/OPR/ACQ. This internal document was considered source-selection information, and should not have been released to any prospective bidder. The investigation determined that access to information used in the preparation of solicitations was not controlled effectively and that as many as 100 unauthorized individuals might have had access to the document in question. On April 22, 1997, an MIR was forwarded to the Office of Information Management (A/IM), describing this situation and providing recommendations on how to rectify the problem. On May 14, 1997, A/IM stated that it concurred with the recommendations and would take steps to implement them. (97-021)

**Alleged Conflict of Interest.** OIG received a hotline complaint alleging that a Department physician had used his position at the Department to promote his private medical practice. It was alleged that the physician was referring employees to his private office for treatment of work-related problems, and was charging the employees for these services. The investigation found no evidence that the physician had violated conflict of interest laws. However, in March 1997, an MIR was forwarded to the Office of Medical Services (M/MED) with a recommendation that corrective action be taken to ensure that Department physicians refrain from activities that may create the appearance of conflict of interest.

In April 1997, M/MED advised OIG that Department physicians would be counseled regarding this issue. (95-160)

Fraud Alert Bulletin

A fraud alert bulletin was issued as a result of an OIG investigation concerning embezzlement of U.S. Government funds through discounts being offered by a commercial airline used to transport household goods for employees departing post. This bulletin advised posts worldwide of the possibility that such an embezzlement scheme could occur at embassies or consulates that utilize the airline in question. Post officials were notified of fraud indicators in the airline’s billing procedures they should look for while making payments concerning household goods shipments. (97-071)

Hotline

The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees to report incidents of waste, fraud, abuse, and mismanagement to the Inspector General. The following table provides a summary of Hotline activity for all of the agencies for which OIG has oversight.

Total allegations received . . .	132
Held for action within OIG . .	34
Referred to other offices for action . . . . .	91
Not substantiated—no action necessary . . . . .	7

# Appendix 1: Investigative Activities<sup>1</sup>

<b>Workload</b>		<b>Total Judicial Actions</b>	<b>55</b>
Cases pending 3/31/97	193	<b>Criminal</b>	
New cases opened	56	Prosecutive referrals	15
Cases closed	85	Prosecutive declinations	7
Cases pending 9/30/97	164	Prosecutive dismissals	0
		Acquittals	0
<b>Total Administrative Actions</b>	<b>38</b>	Indictments <sup>2</sup>	15
Admonishments	3	Convictions	7
Counseling	1	Sentencings	7
Curtailment	0	Time sentenced	11 months
Debarments	1	Time suspended	0
Demotions	0	Time probation	14.2 years
Reimbursements	9	Court-ordered fines	\$2,520
Reprimands	4	Court-ordered restitutions	\$11,736
Resignations	2	<b>Civil</b>	
Suspensions	4	Referrals	0
Terminations	3	Declinations	1
Administrative referrals	11	Complaints	0
PFCRA <sup>3</sup> referrals	0	Judgments	1
PFCRA declination	0	Recoveries	2
PFCRA reimbursements	0	Total judgments and recoveries	\$115,000
Savings	0		

Administrative recoveries <sup>4</sup>	\$28,577
Judicial recoveries <sup>5</sup>	\$129,256
<b>Total Investigative Recoveries</b>	<b>\$157,833</b>

<sup>1</sup> This appendix reflects investigative statistics for the Department of State only. Please see pages 49, 60, and 64 for investigative statistics related to USIA, BBG, and ACDA, respectively.

<sup>2</sup> Indictments include formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

<sup>3</sup> Program Fraud and Civil Remedies Act.

<sup>4</sup> Includes recoveries from administrative actions, such as reimbursements and savings.

<sup>5</sup> Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

*The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.*

# Appendix 2: Reports Issued

## Office of Audits

97-PP-008	Financial Accounting for Overseas Real Property	6/97
97-CI-010	International Organization for Migration	4/97
97-CI-011	Followup Audit of Machine-Readable Visa Program	5/97
97-FM-012	Foreign Service Retirement and Disability Fund Financial Statements for Fiscal Year 1996	5/97
97-CI-013	US Mission-UN Housing Program	6/97
97-PP-014	Contracts Subject to the Service Contract Act	9/97
97-FM-015	Independent Accountant's Report on the Management of Travel Advances	7/97
97-PP-016	Need for a Departmentwide Contract to Provide Defense Base Act Insurance	6/97
97-FM-017	Department of State's Consolidated Statement of Financial Position for FY 1996	6/97
97-CI-018	Department of State Export Controls and Watchlist Process	8/97
97-IM-019	Domestic Classified Local Area Network Pilot Project	9/97
97-PP-020	Value Engineering	9/97

## Office of Inspections

### Inspections

ISP/I-97-23	U.S. Information Service Croatia	9/97
ISP/I-97-24	Embassy Zagreb, Croatia	7/97
ISP/I-97-25	U.S. Information Service Belgrade, FYR (Serbia-Montenegro)	7/97
ISP/I-97-26	Embassy Belgrade FYR (Serbia-Montenegro) and Constituent Posts	7/97
ISP/I-97-27	Embassy Skopje, FYR of Macedonia & U.S. Information Service Skopje	9/97
ISP/I-97-28	U.S. Information Service Saudi Arabia	5/97
ISP/I-97-29	Embassy Riyadh, Saudi Arabia, and Constituent Post	6/97
ISP-I-97-30	U.S. Information Service Oman	9/97
ISP/I-97-31	Embassy Amman, Jordan	7/97
ISP/I-97-32	U.S. Information Service Kuwait	8/97
ISP/I-97-33	Embassy Muscat, Oman	9/97
ISP/I-97-34	Embassy Doha, Qatar, and U.S. Information Service Qatar	9/97
ISP/I-97-35	U.S. Information Service Jordan	6/97
ISP/I-97-37	Voice of America Relay Station, Kuwait	8/97
ISP/I-97-36	Embassy Abu Dhabi, United Arab Emirates, and Constituent Post, and U.S. Information Service, U.A.E.	7/97
ISP/I-97-41	Embassy Mexico City, Mexico, and Constituent Posts, and U.S. Information Service Mexico	9/97
ISP/I-97-42	Embassy Seoul, Korea, and its Constituent Post and U.S. Information Service Seoul	7/97
ISP/I-97-45	U.S. Mission to the North Atlantic Treaty Organization, Brussels, Belgium, and the U.S. Information Service at U.S. NATO	9/97
ISP/I-97-48	Embassy Kuwait, Kuwait	9/97

### Followup Reviews

ISP/C-97-38	Embassy Bridgetown, Barbados	7/97
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## Office of Security and Intelligence Oversight

(Classified SIO reports are summarized in more detail in the classified annex to this semiannual report.)

### Audits

SIO/A-97-25	Cooperative Agreement with City of New York Police Department	7/97
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### Inspections

SIO/I-97-17	Embassy Seoul, Korea	4/97
SIO/I-97-18	Foreign National Employee Program in Russia	4/97
SIO/I-97-19	Embassy Bern and Other Diplomatic Posts in Switzerland	5/97
SIO/I-97-20	Embassy Beirut, Lebanon	4/97
SIO/I-97-26	Embassy Sanaa, Republic of Yemen	8/97
SIO/I-97-27	Embassy Tirana, Albania	7/97
SIO/I-97-28	Embassy Bogota, Colombia	8/97
SIO/I-97-29	Embassy New Dehli, India, and Constituent Posts	8/97
SIO/I-97-30	Embassy Lima, Peru	8/97
SIO/I-97-31	Embassy Sofia, Bulgaria	8/97
SIO/I-97-33	Embassy Bucharest, Romania	8/97
SIO/I-97-35	Embassy Paramaribo, Suriname	9/97
SIO/I-97-36	Embassy Georgetown, Guyana	9/97
SIO/I-97-38	Embassy Bridgetown, Barbados, and Embassy St. George's	9/97
SIO/I-97-40	Embassy Montevideo, Uruguay	9/97
SIO/I-97-41	Embassy Asuncion, Paraguay	9/97
SIO/M-97-23	Moscow Oversight Report	6/97

### Followup Reviews

SIO/C-97-21	Embassy Almaty, Kazakhstan	5/97
SIO/C-97-22	Embassy Bishkek, Kyrgyzstan	5/97
SIO/C-97-24	Embassy Riyadh, Saudi Arabia, and Constituent Posts	7/97
SIO/C-97-32	Embassy Phnom Penh, Cambodia	9/97
SIO/C-97-37	Embassy Hanoi, Vietnam	9/97

### Contract Audits

Vendor	Audit Number	Type
QuesTech, Inc	6121-97I15400037	Contract Audit Closing Statement
Ronco Consulting Corp.	PA-BB-CG-97-54	Incurred Cost
Electrospace Systems, Inc.	3531-97G15400008	Contract Audit Closing Statement
Electrospace Systems, Inc.	3531-97G15400011	Contract Audit Closing Statement
Meridian Management Corp.	PA-BB-CG-97-53	Incurred Cost
AEC Services, Inc.	PA-BB-CG-97-60	Labor Hour Rates
Karn, Charuhas, Chapman & Twohey, PC & Subcontractors	PA-BB-CG-97-64	Labor Hour Rates
Forell/Elsesser, Wiss, Janney Elstner Assoc., Inc., John A. Martin & Associates		
OLMM Consulting Engineers	PA-BB-CG-97-66	Labor Hour Rates
International Rescue Committee	PA-MB-CG-97-14	Indirect Cost Rates



# Appendix 3: Savings & More Effective Use of Resources

**Table I**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS<sup>1</sup>**  
**WITH QUESTIONED COSTS<sup>2</sup>**

	Number of Reports	(Dollars in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
A.1. Adjustments			
A.2. Adjusted Balance	0	0	0
B. Which were issued during the reporting period	1	0	1,400.000
Subtotals (A.2. + B.)	1	0	1,400.000
C. For which a management decision was made during the reporting period	1	0	1,400.000
— based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs			
(ii) dollar value of costs not disallowed	1	0	1,400.000
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

<sup>1</sup> Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

<sup>2</sup> Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Table II**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS**  
**WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE<sup>1</sup>**

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	4	4,536.330
A.1. Adjustments	1	10.000 <sup>2</sup>
A.2. Adjusted balance	3	4,526.330 <sup>3</sup>
B. Which were issued during the reporting period	0	0
Subtotals (A. + B.)	3	4,526.330
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
— based on proposed management action		
— based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	3	4,526.330
Reports for which no management decision was made within 6 months of issuance	2	4,500.000

<sup>1</sup> A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

<sup>2</sup> This figure is contained in the USIA section (Table II).

<sup>3</sup> An audit contains a recommendation that, if implemented in 1997, could result in estimated savings of at least \$400,000 in FY 1998, \$1 million in the year 2000, and approximately \$3.5 million per year by 2010.

# Appendix 4: Resolution of Reports & Recommendations

## Previously Reported Significant Audit Recommendations<sup>1</sup> Pending Final Action<sup>2</sup>

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
1-IM-023		<i>Software Development in the Department</i>	9/30/91
	9.	Review all new major software development projects in all five phases of development.	
1-IM-025		<i>Department of State's Management of Major System Acquisitions</i>	9/30/91
	1.	Issue written policies and procedures for implementing the major system acquisition process and establish the responsibilities of the offices involved in the process.	
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	9/30/93
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
4-FM-014		<i>Followup Audit of Expenditures from the Appropriation for Emergencies in the Diplomatic and Consular Service</i>	3/31/94
	7.	Develop and issue formal policies and detailed procedures for K Fund operations, identifying the restrictions on the use of the funds, responsibilities for specific K Fund functions, and internal controls required.	
	9.	Develop an implementation plan to correct internal control deficiencies noted in the FY 1990 vulnerability assessment of K Fund operations.	
5-FM-007		<i>Review of Financial Systems Development</i>	3/31/95
	2.	The Under Secretary for Management review the current alignment of resources and responsibilities for system acquisition and development in the Department and determine the optimal management arrangement for system acquisition and development.	

<sup>1</sup> Includes audit recommendations reported as significant in semiannual reports prior to March 31, 1997, on which Department management has agreed to take corrective action, but for which those actions are not yet complete.

<sup>2</sup> Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

## SUMMARY OF AUDIT REPORTS

### Without Management Decision for More than Six Months

#### ***Foreign Service Retirement and Disability Fund Financial Statements for Fiscal Year 1992 (4-FM-026), September 1994***

**Summary:** OIG recommended that the Department obtain reimbursement from other agencies for their share of FSRDF administrative expenses unless authority is obtained to pay such expenses directly from the FSRDF.

**Reason Unresolved:** M believes the Department is statutorily obligated to administer the FSRDF and that the Foreign Service Act of 1980 does not provide any basis for seeking reimbursement of administrative expenses from other foreign affairs agencies. There is also a substantial risk that these agencies will refuse to agree to reimburse the Department to administrate the FSRDF. Additionally, this may threaten the good will that has marked the ICASS work to date.

**To be resolved by:** December 1997

#### ***Software Maintenance (6-IM-003), October 1995***

**Summary:** OIG recommended that the Bureau of Administration and its Office of Information Management comply with software maintenance change policies and standards developed by A/IM, prepare and use risk assessment instruments in assessing vulnerabilities and internal controls of software maintenance procedures and practices, and establish general performance measurement criteria to be used when writing Department software maintenance contracts.

**Reason Unresolved:** A and A/IM have never formally responded in writing to the recommendations

**Summary:** OIG recommended that the Foreign Service Institute, in conjunction with the Bureau of Administration's Office of Information Management and Office of Acquisitions, ensure that the training curriculum, specifically tailored to meet the needs of contracting officer representatives, adequately meets the needs of those who will monitor software maintenance contracts and ensure that only those who complete the curriculum are designated as software maintenance contract monitors.

**Reason Unresolved:** While A/IM, FSI, and A/OPR/ACQ concur that the contracting officer representative training curriculum should be improved, there are currently no plans to implement this recommendation.

**Summary:** OIG recommended that FMP develop guidance and implement procedures requiring all bureaus and offices to identify the costs for software maintenance and enhancements for annual budgeting, accounting, and reporting purposes.

**Reason Unresolved:** FMP responded that the required costs are being collected in accordance with OMB Circular A-11. However, the audit determined that none of the geographic bureaus are actually collecting the data. This fact was subsequently reaffirmed by the Chief Information Officer. The recommendation remains unresolved until FMP implements procedures for collecting the costs for software maintenance and enhancements.

**To be resolved by:** December 1997

**Audit of the Classified (Red) Mainframe System's Security** (SIO/A-97-02), October 1996

**Summary:** Four classified OIG recommendations to the Assistant Secretary for Administration from this report remain unresolved. See the classified annex to this Semiannual Report to the Congress for specific information about the unresolved recommendations.

**Reason Unresolved:** See the classified annex to this Semiannual Report to the Congress.

**Summary:** OIG recommended that the Assistant Secretary for Administration direct the Deputy Assistant Secretary for Information Management to coordinate an evaluation with DS and other Red system users on the feasibility of shutting down the Red mainframe system and provide a report on the following:

- A. The risks (security impacts) of shifting each application from the Red mainframe system and the counterbalancing controls that will address those risks.
- B. A full description of the classified information processing system platform(s) planned to assume operation of each application shifting from the Red mainframe system, including detail on
  - 1. compliance with OMB circular A-130 (Appendix III, paragraph A.3),
  - 2. who will have management responsibility and authority to maintain the system's operation and security,
  - 3. the proposed security program(s) (i.e., implementing policy, procedures, training, and security program maintenance) for the Assistant Secretary for Administration's approval,
  - 4. DS's position on security certification of the new system environment and applications operating on that system environment,
  - 5. configuration management, including change controls,
  - 6. inventory controls over classified media such as tapes and disks, and
  - 7. the contingency plan and testing proposed for approval.
- C. A full description of the proposed transition plan proposed for approval.

**Reason Unresolved:** A/IM generally agreed with the recommendation, but the Assistant Secretary has not directed or tasked responsibility for action. This recommendation was requested by the Deputy Assistant Secretary for Information Management during the audit.

**To be resolved by:** January 1998



# U.S. Information Agency

## Including the Broadcasting Board of Governors

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# Audits

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## **USIA Grantee Compliance with Audit Requirements Under OMB Circular No. A-133 (USIA-CG-97-04)**

USIA's Bureau of Educational and Cultural Affairs requested OIG to review grantee compliance with OMB Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. The audit disclosed that USIA had oversight for 150 grantees and that as of June 1997, 39 (26 percent) of the grantees had not submitted required audit reports on 66 grants totaling about \$10.3 million. OIG also found that USIA could reprogram about \$701,100 that it no longer needed for grants awarded in FY 1991 through FY 1993. OIG recommendations included contracting for outstanding A-133 audits and maintaining a complete and up-to-date database of open grants that can provide adequate data for monitoring of USIA grantees and Federal funds.

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## **Center for International Private Enterprise, Inc. Review of FY 1995 Claimed Indirect Cost Rates (USIA-CC-CG-97-05)**

USIA's Office of Contracts requested that OIG review the FY 1995 indirect cost rates claimed by the Center for International Private Enterprise, Inc. (CIPE). CIPE is a core grantee of the National Endowment for Democracy. OIG analyzed the allowability and allocability of accounts comprising CIPE's proposals, including specific indirect costs such as overhead, to determine if the rates should be approved. OIG recommended that USIA's Office of Contracts negotiate a final indirect cost rate with CIPE using a 22.42 percent overhead rate. In addition, CIPE should institute controls to ensure that costs are properly classified between direct and indirect cost objectives.

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# Inspections

Inspections were conducted of USIS operations in 12 countries. Six individual USIS inspection reports were issued; the remaining six inspections were issued as joint reports with the inspections of embassy operations in those countries. All of the USIS-related reports are listed in Appendix 2 on p. 50. Summaries of all the reports are contained in the U.S. Department of State Inspections section (pp. 14 through 22).

## **Insistence on “Computer Literacy”**

USIS public affairs officers in Jordan and U.A.E. require all USIS personnel to be “computer literate,” with the result that all records, including vehicle usage charts, are clear and current. This requirement also promotes cost efficiency and facilitates cross-training, apart from having a noticeably positive impact on employee morale.

## **The Importance of Public Diplomacy**

Public diplomacy is an increasingly important factor in achieving U.S. foreign policy objectives. In most of the countries OIG inspected during this semiannual period, the public affairs officer (PAO) was a significant member of the ambassador's country team, using the media and developing exchange programs and relationships with the academic community as vehicles for fostering a deeper understanding of the United States. Building such long-term, positive relations helps embassies establish the basis for implementing U.S. foreign policies. As the foreign affairs agencies merge, public diplomacy must continue to serve as a critical foreign policy tool.

Public diplomacy programs are particularly critical tools in the conduct of diplomatic activities in the turbulent Balkans. The U.S. ambassadors in Croatia, Serbia, and Macedonia recognize public diplomacy initiatives as an important part of their diplomatic arsenals and use them to achieve specific policy objectives. In Mexico and Korea the PAOs work closely with the chiefs of mission on both media and cultural activities. With over 37,000 U.S. troops in Korea, shaping public perceptions on issues ranging from security and international relations to the environment and human rights is a vital

concern to U.S. national interests. And, because of the important interests the United States has in Mexico, getting accurate information about developments in the United States to the Mexican media is of critical importance. Even with diminishing resources, specifically targeted exchange programs with Mexico are major policy assets.

With the NATO expansion and our complicated new relationships with Russia and the newly independent states of the former Soviet Union, public diplomacy is a critical part of the work of the U.S. mission to NATO in Brussels. In Jordan, Oman, and Qatar, the mission program plans and USIS country plans are closely coordinated, and USIS operations are directly linked to overall mission goals. This approach to public diplomacy is a model on how best to support U.S. policy objectives. While security interests continue to dominate the bilateral relationship in most of the Near East countries OIG visited during this reporting period, emphasis is being given to the peace process and to the economic benefits of regional cooperation. U.S. military operations in the region, and the imperatives of immediate-term American policy objectives, have caused the information side of USIS activities to dominate in Saudi Arabia and Kuwait.

# Investigations

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## JUDICIAL ACTIONS

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### Civil Complaint

**Embezzlement.** OIG investigated information that a USIA grantee, having received \$60,000 to educate Polish citizens about the importance of grass-root movements, volunteerism, and networking, spent the grant funds in a prohibited manner. The grantee expended approximately \$5,000 before the grant was awarded on salaries, consultant costs, office space, and telephone installations and also inappropriately spent approximately \$21,000 for personal travel, computer equipment, and undocumented conference expenses. On August 28, 1997, a civil complaint charging the grantee with filing false claims and unjust enrichment was filed by the U.S. Attorney's Office, in U.S. District Court, Washington, D.C. The three count complaint seeks triple damages totaling \$81,804 plus \$5,000 to \$10,000 for each of the five false claims charged in count one of the complaint. The total potential recovery and penalties brought by this civil action could exceed \$150,000. (96-121)

**Fraudulent Claims.** On September 30, 1997, a USIA grantee signed a civil settlement agreement with the U.S. Attorney's Office, District of Columbia, concerning False Claims Act issues that arose after an audit of the grantee's activities. The grantee will make restitution of approximately \$80,000. The contractor is still involved in negotiations with USIA regarding approximately \$374,000 in questioned, unsupported, and disallowed audit costs, as well as costs the grantee incurred in complying with an OIG administrative subpoena. (96-176)

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### Convictions

**Voucher Fraud.** An employee assigned overseas with the Voice of America submitted vouchers for reimbursement of personal telephone calls over a period of three years. The employee included both office and residential telephone billings on the vouchers. During a subsequent audit, a total of \$24,820 of the submitted bills were discovered to be for personal calls, as well as for the basic telephone service fee. Subsequent to being declined for criminal prosecution, and in conjunction with the U.S. Attorney's Office, Civil Division, District of Columbia, a plea agreement was reached in which the employee agreed to repay the VOA \$24,800 plus \$1,500 in interest, for a total restitution of \$26,300. (97-064)

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## ADMINISTRATIVE ACTIONS

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### Administrative Referral

**Employee Misconduct.** An OIG investigation was initiated in response to information received from USIA's Security Office that a computer specialist acted without authority to cut network computer cable wires. As a result, approximately 90 USIA computers worldwide were inoperative. It was also alleged that the same employee removed a computer transceiver from USIA's e-mail system, causing the shutdown of approximately 80 e-mail computers worldwide. The investigation disclosed that the employee purposely cut two damaged cable wires without authority and improperly disconnected another computer system. The matter was referred to the U.S. Attorney's Office for the District of Columbia, which declined the case for prosecution. The matter was referred to USIA for appropriate administrative action. (97-113)

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### Termination

**Computer Fraud.** A contract employee assigned to USIA sent an e-mail message on the Internet and into the USIA e-mail system, which appeared to be authorized by the Director of USIA. A trace on the e-mail revealed the identity of the contract employee. OIG interviewed the employee, who admitted sending the e-mail in addition to downloading and saving pornography on a USIA-owned computer. The employee was terminated from the USIA contract and a referral regarding the individual's security clearance was made to the Defense Industrial Security Clearance Office. (97-126)

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### Reimbursement

**Embezzlement.** In June 1996, an OIG investigation was initiated based upon the receipt of allegations that a former American officer of USIA improperly received \$11,000 for an education grant and travel expenses to which the officer was not entitled. The investigation developed evidence that the officer converted \$7,064 to personal use and owed an additional \$198 to the post in unpaid personal telephone call charges. This evidence was presented to the U.S. Attorney's Office for the District of Columbia, which declined prosecution in favor of administrative remedies available to the agency. On May 15, 1997, the former officer agreed to reimburse USIA \$7,121 from his final separation severance payment. (96-129)

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### Management Implication Report

Upon completion of an OIG investigation, an MIR was forwarded to USIA citing the agency's inability to collect funds from employees for personal telephone calls made on government telephones. The MIR noted that no certification procedure was in place requiring employees to certify that telephone calls were for official/personal purposes or for reimbursements to be made as required. USIA responded to the MIR by informing OIG that no such procedure was instituted based on information from the General Services Administration that certification was no longer mandated by statute, but is a policy decision within an agency's discretion. (97-075)

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# Appendix 1: Investigative Activities

<b>Workload</b>	
Cases pending 3/31/97	27
New cases opened	10
Cases closed	13
Cases pending 9/30/97	24
<b>Total Administrative Actions</b>	<b>5</b>
Administrative referrals	3
Reimbursements	1
Termination	1
<b>Total Judicial Actions</b>	<b>19</b>
<b><i>Criminal</i></b>	
Prosecutive referrals	6
Prosecutive declinations	10
Acquittals	0
Indictments	0
Convictions	0
Sentencings	0
Probation	0
<b><i>Civil</i></b>	
Referrals	1
Declinations	1
Complaints	0
Judgments	0
Recovery	1
<b>Administrative Recoveries</b>	<b>\$ 7,121</b>
<b>Judicial Recoveries</b>	<b><u>26,320</u></b>
<b>Total Recoveries</b>	<b>\$33,441</b>

*The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.*

# Appendix 2: Reports Issued

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## *Office of Audits*

USIA-CG-97-04	USIA Grantee Compliance with Audit Requirements under OMB Circular No. A-133	9/97
USIA-CC-CG-97-05	Center for International Private Enterprise, Inc., Review of FY 1995 Claimed Indirect Costs	9/97

## *Office of Inspections*

ISP/I-97-23	U.S. Information Service Croatia	9/97
ISP/I-97-25	U.S. Information Service Belgrade, FYR (Serbia-Montenegro)	7/97
ISP/I-97-27	Embassy Skopje, FYR of Macedonia & U.S. Information Service Skopje	9/97
ISP/I-97-28	U.S. Information Service Saudi Arabia	5/97
ISP-I-97-30	U.S. Information Service Oman	9/97
ISP/I-97-32	U.S. Information Service Kuwait	8/97
ISP/I-97-34	Embassy Doha, Qatar, and U.S. Information Service Qatar	9/97
ISP/I-97-35	U.S. Information Service Jordan	6/97
ISP/I-97-37	Voice of America Relay Station, Kuwait	8/97
ISP/I-97-36	Embassy Abu Dhabi, United Arab Emirates, and Constituent Post, and U.S. Information Service, U.A.E.	7/97
ISP/I-97-41	Embassy Mexico City, Mexico, and Constituent Posts, and U.S. Information Service Mexico	9/97
ISP/I-97-42	Embassy Seoul, Korea, and its Constituent Post and U.S. Information Service Seoul	7/97
ISP/I-97-45	U.S. Mission to the North Atlantic Treaty Organization, Brussels, Belgium, and the U.S. Information Service at U.S. NATO	9/97

## Appendix 3: Savings & More Effective Use of Resources

**Table I**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS**  
**WITH QUESTIONED COSTS**

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs*
A. For which no management decision has been made by the commencement of the reporting period	15	4,236	2,455
B. Which were issued during current reporting period	0	0	0
Total	15	4,236	2,455
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	2	94	31
(i) dollar value of disallowed costs	2	48	5
(ii) dollar value of costs not disallowed	2	46	26
D. For which no management decision has been made by the end of the reporting period	13	4,142	2,424
Reports for which no management decision was made within 6 months of issuance	13	4,142	2,424

\* Unsupported Costs are included in the Total Costs.

**Table II**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS**  
**WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	1	10
B. Which were issued during the reporting period	1	701
Total	2	711
C. For which a management decision was made during the reporting period	1	10
(i) dollar value of recommendations that were agreed to by management	1	10
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	1	701
Reports for which no management decision was made within 6 months of issuance	0	0

# Appendix 4: Resolution of Reports & Recommendations

## Previously Reported Significant Audit Recommendations Pending Final Action

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
93-A-34/ ARR-95-08		<i>Grants Management Followup</i>	3/31/95
	2.	Ensure that the automated grant tracking log contains all data needed to track the status of grant proposals.	
	5.	Assess the status of the grant system to identify the specific tasks and resources needed to develop and implement the system. In addition, establish a realistic implementation plan, including funding commitments. Establish monthly reporting requirements on the project's status.	
	6.	Ensure that data in the grants system is reconciled with data in other grant-related systems.	
	7.	Document life-cycle management policies for the grants system and other related information systems.	
ARR-96-07		<i>Exchange Visitor Information System</i>	3/31/96
	3.	Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	
USIA-97-CG-001		<i>National Endowment for Democracy</i>	3/31/97
	4.	The Bureau of Management should establish a financial memorandum of understanding between USIA and the Endowment.	
	5.	The Office of Contracts should require the Endowment to submit a proposed administrative budget along with its formal request for funds prior to the start of each fiscal year, review the administrative budget for reasonableness, and include the Board-approved administrative budget in the USIA/Endowment grant agreement.	
	6.	The Director should clarify program responsibilities for the Endowment.	
USIA-97-CG-002		<i>The Commission for Educational and Cultural Exchange Between xxxx the United States of America and Arab Republic of Egypt</i>	3/31/97
	1.	A qualified treasurer should exercise oversight of the financial transactions of the Commission.	
	3.	The Commission should submit audit reports that comply with both Manual requirements and grant terms.	
	6.	If USIA retains an interest in the English Teaching Program, whoever is responsible for the program should instruct the director of courses to <ul style="list-style-type: none"> <li>• separate key financial responsibilities so that no one person maintains complete control of transactions; and</li> <li>• adopt written internal control and accounting system policies and procedures.</li> </ul>	

## SUMMARY OF AUDIT REPORTS

### Without Management Decision for More than Six Months

#### ***American Council of Learned Societies*** (A-90-29) September 1990

**Summary:** OIG identified questioned costs, accounting system deficiencies, and excess draw downs of grant funds. USIA's Office of Contracts resolved the accounting system recommendations and the excess drawdowns of grant funds.

**Reason Unresolved:** The Office of Contracts deferred action on \$44,957 pending further review by OIG, which was completed on March 31, 1995.

**To be resolved by:** March 1998

#### ***International Development Exchange*** (A-92-24) November 1992

**Summary:** OIG made recommendations on questioned costs of \$59,498 and accounting system deficiencies.

**Reason Unresolved:** The Office of Contracts deferred a decision on the questioned costs pending completion of OIG's investigation, which was referred to the Justice Department on July 15, 1994.

**To be resolved by:** Unknown; case in litigation.

#### ***Delphi International Group*** (A-92-23) December 1992

**Summary:** OIG questioned grant costs totaling \$253,772, including about \$150,600 improperly used to support Delphi's private affiliates in violation of its grant agreement with USIA.

**Reason Unresolved:** USIA's Office of Contracts deferred action on this matter until there is a final resolution of OIG's investigation.

**To be resolved by:** Unknown; case in litigation.

#### ***North/South Center*** (ARR-94-03) March 1994

**Summary:** OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

**Reason Unresolved:** USIA's Office of Contracts deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and is awaiting additional information from the bureau.

**To be resolved by:** March 1998

#### ***Delphi International Group*** (ALR-94-03) March 1994

**Summary:** OIG questioned grant costs totaling \$202,188, including sabbatical leave for Delphi's chairman and \$73,012 in excessive grant fund drawdowns.

**Reason Unresolved:** USIA's Office of Contracts deferred action on this matter because of OIG's investigation. The matter was referred to the U.S. Department of Justice on September 18, 1994.

**To be resolved by:** Unknown; case in litigation.

#### ***American Field Service Intercultural Programs*** (ARR-94-05) March 1994

**Summary:** OIG questioned \$236,600, of which \$177,000 was for unsupported administrative costs. OIG recommended that the Service establish an appropriate indirect cost rate for all future grants.

**Reason Unresolved:** USIA's Office of Contracts deferred a decision on the \$59,600 pending further information.

**To be resolved by:** March 1998



***American-Mideast Educational and Training Services*** (ARR-95-02) December 1994

**Summary:** OIG questioned \$72,394, of which \$27,331 was unsupported.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation from grantee.

**To be resolved by:** March 1998

***Greater Buffalo Athletic Corporation*** (ARR-95-03) March 1995

**Summary:** OIG questioned \$2,306,884 in administrative costs.

**Reason Unresolved:** USIA's Office of Contracts deferred a decision on the questioned costs until OIG reviewed the corporation's response. OIG provided its review on the corporation's response.

**To be resolved by:** March 1998

***Free Trade Union Institute*** (ARR-96-04B) March 1995

**Summary:** OIG questioned \$33,672. The Institute expensed the total cost of equipment purchased for administrative purposes and included it in the indirect cost pool.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation from grantee.

**To be resolved by:** March 1998

***American Library Association*** (ARR-96-02) March 1996

**Summary:** OIG questioned unallocable Library Fellow fringe-benefit costs, unapproved foreign travel costs, and equipment purchases not in accordance with applicable laws, regulations, and grant terms and conditions. Based on the above, OIG questioned \$100,407 including \$27,894 classified as unsupported.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation from grantee.

**To be resolved by:** March 1998

***International Institute of Wisconsin*** (CG-96-01) September 1996

**Summary:** OIG questioned \$46,726 as unallowable or unsupported by the Institute. These costs included airfares for individuals who did not participate in the program excess working meals, and an unreasonable amount of tickets for sporting events. Also questioned were salary and benefits that were based on budget percentages instead of actual hours worked.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation from grantee.

**To be resolved by:** March 1998

***National Endowment For Democracy*** (USIA-97-CG-001) March 1997

**Summary:** OIG recommended that USIA finalize the Memorandum of Understanding establishing oversight for the Endowment.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation.

**To be resolved by:** March 1998

***The Commission For Educational and Cultural Exchange Between The United States and the Arab Republic of Egypt*** (USIA-97-CG-002), March 1997

**Summary:** OIG recommended that USIA's Bureau of Educational and Cultural Affairs, in conjunction with the Office of North African, Near Eastern, and South Asian Affairs, ensure that a qualified treasurer exercises oversight of the financial transactions of the Commission.

**Reason Unresolved:** USIA 's Office of Contracts is seeking clarification and documentation.

**To be resolved by:** March 1998

***International Republican Institute Review of FY 1995 Claimed Indirect Cost Rates*** (USIA-CC-CG-97-01) March 1997

**Summary:** OIG questioned costs of \$45,029 relating to interest and tax penalties in the FICA account and direct program depreciation expense.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation.

**To be resolved by:** March 1998

***Free Trade Union Institute Review of FY 1995 Claimed Indirect Cost Rates*** (USIA-CC-CG-97-02) March 1997

**Summary:** OIG questioned costs of \$465,646 relating to direct and indirect labor costs in its indirect cost pool, and equipment purchased for administrative purposes included in the indirect cost pool.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation.

**To be resolved by:** March 1998

***National Democratic Institute for International Affairs Review of FY 1995 Claimed Indirect Cost Rates*** (USIA-CC-CG-97-03) March 1997

**Summary:** OIG questioned \$16,360 relating to renovations and leasehold improvements in the indirect cost pool.

**Reason Unresolved:** USIA's Office of Contracts is seeking clarification and documentation.

**To be resolved by:** March 1998

# International Broadcasting

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# OIG Activities

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## AUDITS

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### Broadcasting Consolidation Survey

During this reporting period OIG conducted a broad planning survey of international broadcasting operations. The OIG team identified major accomplishments achieved by VOA, Radio Free Europe/Radio Liberty (RFE/RL), Radio Free Africa (RFA), and USIA's Office of Engineering, International Broadcasting Bureau, in accordance with the International Broadcasting Act of 1994. For example, RFE/RL and VOA engineering operations were successfully combined under IBB, competition for air time on U.S. Government-controlled transmission facilities was eliminated, and RFA was established and is broadcasting in five out of seven projected languages. These accomplishments and others resulted in an estimated savings of \$400 million between 1994 and 1997. OIG also identified areas for additional consolidation, streamlining, or other efficiencies, which will be reflected in future OIG work.

### OIG Prague Office Closes

OIG determined that its on-site presence in Prague, Czech Republic, is no longer necessary and closed the office in August 1997. Since the merger of the OIG of USIA with the OIG of the Department of State and ACDA, the office has gained a better perspective on how best to provide oversight of international broadcasting, including RFE/RL activities. The OIG presence in Prague was originally established to provide a continuing oversight of RFE/RL operations there. OIG has now established a division in its Office of Audits that is focusing exclusively on international broadcasting issues, including those involving RFE/RL. This newly established division, supplemented by staff from other audit divisions and OIG offices, provides a more comprehensive and integrated oversight of broadcasting operations by drawing upon a variety of disciplines within OIG.

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## INSPECTIONS

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### Review of VOA Relay Station, Kuwait (ISP/I-97-37)

The writeup for this report is combined with the write-up for ISP/I-97-48 and ISP/I-97-32 on the inspections of Embassy Kuwait and USIS Kuwait, respectively, on p. 21 under the State Department section of this semiannual report.

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## INVESTIGATIONS

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### Management Implication Report

An investigation was initiated when OIG received a complaint that USIA's International Broadcasting Bureau, Worldnet Television, was improperly hiring contractors to perform personal

services. The investigation disclosed that a vendor was hired by Worldnet to perform these services under a one-year contract from January 1994 to December 1994. Inquiries disclosed that this contract was not executed until September 1994, at which point Worldnet terminated the vendor's services. It was disclosed that, due to discrepancies concerning the type of contract allowed, USIA's Office of Contracts had sent the

contract back to Worldnet and refused to approve it until September 1994. An MIR was forwarded to Worldnet. This report outlined the need to reeducate employees responsible for contracting at the agency regarding the prohibition of contracting for personal services. Worldnet followed this recommendation and instituted new contracting policies to preclude the awarding of personal service contracts. (96-145)

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## Appendix 1: Investigative Activities

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### Workload

Cases pending 3/31/97	0
New cases opened	0
Cases closed	0
Cases pending 9/30/97	0

<b>Judicial Actions</b>	0
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<b>Administrative Actions</b>	0
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*The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.*

## Appendix 2: Reports Issued

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ISP/I-97-37

Review of VOA Relay Station, Kuwait

8/97



# U.S. Arms Control and Disarmament Agency

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Appendix 4: Resolution of Reports and Recommendations .....	66

# OIG Activities

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## AUDITS

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### Monitoring of Contractor Performance by the U.S. Arms Control and Disarmament Agency (97-PP-002)

OIG conducted a survey of the U.S. Arms Control and Disarmament Agency's (ACDA) monitoring of contractor performance. Although minor deficiencies were identified, OIG found that ACDA's contracting personnel effectively managed and monitored the two contracts reviewed and that, with minor exceptions, ACDA received the goods and services it purchased under the contracts. One deficiency concerned a small contract modification that was made orally instead of in writing that obligated the U.S. Government, without consideration, to pay labor costs while a contractor employee attended training to enable the contractor employee to meet a certification requirement for a higher level contractor position. OIG recommended that ACDA remind its contracting officers to put contract modifications in writing and not to remove contractor obligations without adequate consideration. ACDA officials agreed with the finding and recommendation and have taken corrective action.

OIG found that the contractor failed to analyze a database of computer systems problems reported by users to identify trends

and recurring problems, as required by the contract. Also, monitoring the contractor's performance could be improved if the contracting officer's technical representative would use available contract documentation to verify labor charges. Contracting office personnel have taken corrective actions concerning these issues.

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#### ACDA Integration

By October 1, 1998, ACDA will be the first of the foreign affairs agencies to integrate with the Department of State, under the plan announced by the President on April 18, 1997. Due to ACDA's heavy involvement with reorganization planning leading up to the integration, and in response to a request from the Director of ACDA, OIG is limiting its activities in the arms control area until FY 1999.

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## INVESTIGATIONS

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### Judicial Actions

**Conviction.** OIG responded to a referral from ACDA's Security Office concerning possible time and attendance irregularities involving an ACDA timekeeper. Analysis of the employee's time and attendance records disclosed discrepancies totaling 65 hours. The employee was interviewed and admitted to falsifying the time sheets by erasing leave hours after the supervisor approved the documents. The case was accepted for prosecution by the U.S. Attorney's Office, Superior Court, Washington, D.C. Under a plea agreement, the employee entered into a Pretrial Diversion Agreement with the court, was placed on three and a half months of parole, and was required to perform 40 hours of community service and arrange to repay the U.S. Government \$937. (96-045)

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# Appendix 1: Investigative Activities

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<b>Workload</b>		
Cases pending 3/31/97		1
New cases opened		1
Cases closed		0
Cases pending 9/30/97		2
<b>Judicial Actions</b>		
Convictions		1
Sentencing	3.5 months probation	
Restitution		\$937
<b>Judicial Recoveries</b>		<b>\$937</b>

*The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.*

# Appendix 2: Reports Issued

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Office of Audits

ACDA-97-PP-002	Monitoring Contractor Performance by ACDA	8/97
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# Appendix 3: Savings & More Effective Use of Resources

**Table I**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS**  
**WITH QUESTIONED COSTS**

	Number of Reports	Dollars (in thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during current reporting period	0	0	0
Total	0	0	0
C. For which a management decision was made during the reporting period — based on formal administrative or judicial appeal	0	0	0
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

**Table II**  
**INSPECTOR GENERAL ISSUED AUDIT REPORTS**  
**WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Total	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of this reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

## Appendix 4: Resolution of Reports & Recommendations

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### **Previously Reported Significant Audit Recommendations Pending Final Action**

None

### **SUMMARY OF AUDIT REPORTS Without Management Decision for More than Six Months**

None



# List of Abbreviations

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A/FBO	Office of Foreign Buildings Operations, Bureau of Administration
A/IM	Office of Information Management
A/OPR/ACQ	Office of Acquisitions
ACDA	U.S. Arms Control and Disarmament Agency
ARA	Bureau of Inter-American Affairs
C-LAN	Classified local area network
CA	Bureau of Consular Affairs
CFMS	Central Financial Management System
CFSC	Charleston Financial Service Center
CIPE	Center for International Private Enterprise, Inc.
DBA	Defense Base Act
DS	Bureau of Diplomatic Security
EFT	Electronic fund transfer
EPA	Environmental Protection Agency
FAAS	Foreign Affairs Administrative Support
FMFIA	Federal Managers' Financial Integrity Act
FMP	Bureau of Finance and Management Policy
FSN	Foreign Service national
FSRDF	Foreign Service Retirement and Disability Fund
GSO	General services office
IBB	International Broadcasting Bureau, USIA
ICASS	International Cooperative Administrative Support Services
INS	Immigration and Naturalization Service
IO	Bureau of International Organization Affairs
IOM	International Organization for Migration
M/FSI	Foreign Service Institute, Bureau for Management
M/MED	Office of Medical Services
MIR	Management Implication Report
MPP	Mission program plan
MRV	Machine-readable visa
NEA	Bureau of Near Eastern Affairs
NIV	Nonimmigrant visa
NYPD	New York Police Department
OMB	Office of Management and Budget
PAO	Public affairs officer
PM/DTC	Office of Defense Trade Controls, Bureau of Politico-Military Affairs
PRM	Bureau of Population, Refugees, and Migration
REMS	Real Estate Management System
RFA	Radio Free Africa
RFE/RL	Radio Free Europe/Radio Liberty
SCA	Service Contract Act
SIO	Office of Security and Intelligence Oversight
SMA	Separate Maintenance Allowance
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency
USIS	U.S. Information Service
USNATO	U.S. Mission to the North Atlantic Treaty Organization
USUN	U.S. Mission to the United Nations
VOA	Voice of America

## Index of Reporting Requirements

### Inspector General Act of 1978, as amended

Requirement	Subject	Page Number:		
		State	USIA	ACDA
Section 4(a)(2)	Review of legislation and regulations	6	6	6
Section 5(a)(1)	Significant problems, abuses, and deficiencies	9-26	45-46	63
Section 5(a)(2)	Significant recommendations for corrective action	9-26	45-46	63
Section 5(a)(3)	Prior significant recommendations unimplemented	39	52	None
Section 5(a)(4)	Matters referred to prosecutive authorities	27-33	47-48	63
Section 5(a)(5)	Information or assistance refused	None	None	None
Section 5(a)(6)	List of reports issued	35-36	50	64
Section 5(a)(7)	Summaries of significant reports	9-26	45-46	63
Section 5(a)(8)	Audit reports—questioned costs	37	51	65
Section 5(a)(9)	Audit reports—funds to be put to better use	38	51	65
Section 5(a)(10)	Prior audit reports unresolved	40-41	53-55	None
Section 5(a)(11)	Significant revised management decisions	None	None	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None	None	None